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ABSTRACT

In March 2000, thirteen grants were awarded as part of the Individual Training Account/Eligible Training Provider (ITA/ETP) Demonstration. In summer and fall of 2000, the grant recipients' activities were subjected to an interim evaluation. Site visits were made to each grantee to determine what ITA policies and practices were being formulated, how ETP lists were being assembled, and what information was available in the consumer report systems about eligible programs from which customers can choose a training provider. The following were among the interim evaluation's conclusions: (1) although flexibility is clearly being embraced by all grantees, it is causing some confusion and uncertainty; (2) for a variety of reasons, a substantial drop-off in the number of persons entering training is predicted; (3) sites are maintaining a strong customer focus in their approach to the Workforce Investment Act's three service levels; (4) customer choice, informed by good information, is clearly apparent in how sites are working with customers to help them select training programs and vendors; (5) frontline staff are generally playing roles that support informed choice; and (6) the underdeveloped state of most consumer report systems has meant that most customers have not been basing their training decisions on concrete and comparable information about vendor performance. (MN)

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An Evaluation of the Individual Training Account/Eligible Training Provider Demonstration

Final Interim Report
August, 2001

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Employment and Training Administration
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ABSTRACT

The Workforce Investment Act of 1998 requires that, with certain exceptions, training services be delivered through the use of Individual Training Accounts (ITAs), which participants can use to procure the training of their choice, so long as the training program is on a state's eligible training provider (ETP) list. In March 2000, the U.S. Department of Labor made grant awards to thirteen states and local areas as part of the ITA/ETP Demonstration, to provide support for ITA and ETP system development and encourage innovative approaches and practices. This paper presents interim findings from the evaluation of these grantees' efforts. As such, it describes at about the midpoint of the grants' period of performance what ITA policies and practices were being formulated, how ETP lists were being assembled, and what information was available in the consumer report systems, a repository of information about eligible programs that customers can use to make their training choices.

EXECUTIVE SUMMARY

This report has been prepared as part of a contract awarded by the U.S. Department of Labor (DOL) to conduct an Evaluation of the Individual Training Account/Eligible (ITA/ETP) Training Provider Demonstration. This summary reflects the findings reported in the Interim Report for the evaluation; as such, it describes early progress made by the demonstration grantees in establishing their ITA/ETP systems, based on site visits we made to each of them during the summer and fall of 2000.

BACKGROUND

The Workforce Investment Act (WIA) of 1998 brought about substantial changes in services provided to persons seeking employment and training assistance. An important element of WIA is the requirement that training services be provided, with certain limited exceptions, through individual training accounts (ITAs), which can be thought of as a voucher that customers can use to pay for training of their choice, so long as the training program is on an approved list (the eligible training provider list) and meets minimum standards of performance. To help customers make prudent training choices, information about the eligible programs approved by the state (e.g., costs of the training, its duration, and the employment and other outcomes achieved by prior cohorts of trainees, among other things) is to be assembled in a consumer report system (CRS) maintained by the state and distributed throughout the state's One-Stop system. The establishment of ITAs is intended to empower customers, while promoting accountability among states, local areas, and service providers in meeting customers' needs.

In the summer of 1999, DOL issued a Solicitation for Grant Applications (SGA) for the Individual Training Account/Eligible Training Provider (ITA/ETP) Demonstration. This announcement emphasized that DOL was interested in identifying "a national group of vanguard sites" who were committed to implementing ITAs and establishing an eligible training provider list that was consistent with WIA and "informed by best practice and insight from the field." Chief goals of the demonstration include support for system-building at the state and local levels, rigorous testing of several key models or approaches to the establishment of an eligible training provider process and ITA payment system, identification of key components of effective ITA implementation, and the development of a learning network for information sharing, both across demonstration sites and to the larger employment and training system. Each grantee was

to receive an amount not in excess of \$500,000, for a grant period that was to last 18 months.

In March of 2000, DOL announced that it had selected thirteen grantees to participate in the demonstration project. Six of these grantees are local workforce investment areas (LWIAs) that applied individually or on behalf of neighboring local areas. The other seven grantees are states. Of these seven states, four are collaborating with some subset of the state's LWIAs, while the other three states are developing statewide systems and strategies.

The evaluation of the ITA/ETP Demonstration, being undertaken by Mathematica Policy Research (MPR) and Social Policy Research Associates (SPR), consists of a process study that entails two rounds of multi-day site visits to each of the thirteen grantees. Each site visit entails interviews at both the state and local levels, regardless of whether the grantee was itself a state or local area. The Interim Report for the evaluation, on which this summary is based, draws on the first round of site visits, which occurred in late summer and fall of 2000. Data collection will continue during the summer and fall of 2001, when each grantee will be visited a second time. At that time, we expect that service designs and ITA/ETP systems would have matured substantially.

CONTEXT FOR THE DEMONSTRATION

Site visits to study the ITA/ETP demonstration grantees were conducted at a time when many of them were still developing key aspects of their systems. Moreover, for a variety of reasons—including fears of funding shortfalls, a strong economy that makes job placements relatively easy to obtain, One-Stop centers' apprehension of authorizing training unless it was absolutely necessary, and the need to have customers go through core and intensive services before training could be offered—in some sites no more than a dozen customers had been issued an ITA, out of hundreds of WIA adult and dislocated worker enrollees. Clearly, the systems we saw were for the most part very much a work in progress. At the same time, all sites had made substantial progress, both in developing policies to serve customers with an ITA and in establishing an eligible provider list and consumer report system.

Their progress was facilitated because most were not starting their ITA system development from scratch when the ITA/ETP demonstration grants were awarded. In fact, almost all had moved sharply away from the exclusive use of contracted training in the waning years of JTPA and towards individual referral methods, and over one-half of

them claimed previous experience with using vouchers for training, either as a grantee under the former Career Management Account demonstration or as part of some other pilot program. One-Stop implementation grants that they had received from DOL during the mid- to late-1990s also helped them establish the infrastructure that they needed to serve adult and dislocated worker customers in a WIA framework.

Building on this framework, the grantees were using their demonstration funding in very different ways, which reflected the nature and extent of their prior progress. Their grant objectives ranged from the very broad (e.g., develop ITA policies, build a consumer report system) to the quite specific (e.g., develop a code of ethics for vendors). In general, grantees that specified broader goals were not as far along in ITA/ETP system development at the time their grant proposals were prepared. By contrast, those that specified narrower goals had many elements of their systems already in place and were looking to enhance or refine them in some way.

Grant objectives can also be categorized with respect to their major area of focus. The most common cluster of objectives related to efforts to build electronic consumer report systems. Capacity building was another key objective, but the specifics varied. One grantee wanted to hire counseling experts to work with participants and coach case managers; another wanted to develop a curriculum for a peer-managed workshop; others wanted to develop and deliver training workshops for staff or develop computer modules that staff could access as a resource. The third largest category of grant objectives related to developing or testing ITA policies; for example, one grantee was trying to facilitate coordination and joint policy development with adjacent LWIAs. Finally, some grantees were using their grant funds to develop fiscal or tracking software or to automate the training provider application process.

CUSTOMERS' USE OF ITAS

All of the grantees had embraced the ITA model for providing training services and generally seemed enthusiastic about its possibilities for empowering customers. In fact, nearly all of them were planning on using ITAs for training adults and dislocated workers almost exclusively; only two expected to make regular use of contracted training for meeting the needs of special populations. However, several expected a sharp drop-off in the number of persons they would fund for training each year, citing what they felt was WIA's "work first" emphasis and funding limitations caused by their needing to expend resources on developing their core and intensive service strategies.

Regardless of the customer volume that they anticipated, sites needed to develop policies to guide the way that customers move through core and intensive services, because only those who have received at least one service at each of these two service levels, without having their employment goals met, are eligible for training. The case-study sites varied quite a bit with respect to the policies and procedures that they established for this purpose. Some noted that customers whom the case manager felt could obviously benefit from training were moved through core and intensive services quite quickly. Other sites had more stringent requirements before customers could move through to training—for example, by having case managers exhaust all reasonable possibilities that the customer might have transferable skills and/or requiring that customers spend at least several weeks in core and intensive services engaging in job search before training would be considered.

Another key difference across sites related to how intensive services were used as a prelude to training. Some sites felt that they could quickly (in core services) identify those who would need training services to meet their employment goals. Such individuals were placed in intensive services with the full expectation that they would shortly undertake training, so intensive services were focused on helping customers develop and refine their career and training plans. Other sites felt that intensive services represented another opportunity to identify transferable skills and improve job search strategies that might obviate the need for training altogether.

Despite these different general tendencies from one local area to the next, however, all the demonstration sites emphasized that guidelines were not meant to be followed rigidly and that they adopted a flexible approach to meeting customers' needs. It seems, then, that a key tenet of WIA that services should be customer driven and based on the individual's own needs appears to have been followed.

The customer focus is evident as well in the process that sites use to help customers make training choices. We identified three models that sites use under various circumstances. These are informed choice, which occupies a broad middle ground, and, at either extreme, directed choice and free choice. According to the informed choice model, One-Stop centers ensure that those authorized for training receive ample information, guidance, and assistance, so that they can make prudent choices with respect to the occupation for which they want to be trained and the vendor who will provide it. This was by far the predominant mode in the sites we visited. Operationally, it meant that customers would be required to undertake a comprehensive assessment of their skills

and abilities, and engage in labor market and other research, before an ITA would be issued. Front-line staff play a key role in serving as “guides” or “facilitators,” striking what seemed to be an appropriate balance between lending the benefit of their expertise while not being overly directive.

A key element that made the informed choice approach feasible was that assessment and research were required parts of the decision-making process. In addition to having participants undertake a comprehensive assessment and engage in labor market research, which were everywhere required, some sites required participants to conduct field research, such as by visiting several vendors and interviewing former trainees and employers who hire in the career area in which the participant wants to undertake training. Other sites required that customers attend workshops that are either given by case managers or are peer-managed. Sometimes also customers needed to submit a formal application, in which they identify the training field and vendor they have chosen and justify their decision on the basis of assessment results and the research they have conducted. As a consequence of following these steps to having their ITAs approved, customers would come to identify appropriate training choices on their own.

By contrast, a “directed choice” approach was characterized by the case managers’ playing a much more directive role. Only one site used this model predominantly, although others would use it under special circumstances, as when customers seemed unable to make sense of their assessment results or were reluctant to make judgements based on the research they had conducted. In these instances, case managers could be quite emphatic in steering customers to the choices that the case manager thought best.

Finally, the third approach, a “free choice” model, was also used sparingly. According to this strategy, case managers would essentially give customers free reign to make training choices, so long as the training field was for an occupation in demand and the vendor appeared on the ETP list. No site used this approach predominantly. However, customers who knew exactly what training they wanted to undertake before entering the One-Stop center, and who could justify their choice, often had their request honored with little difficulty.

Given the predominance of the informed choice model, our interviews and observations lead us to the conclusion that customers are effectively the decision-makers almost always. However, their choice is subject to certain limitations established by state and local policy. For example, in keeping with the WIA legislation, training can only be

funded if it is for an occupation in demand. Some local areas met this requirement by drawing on lists developed by the state's labor market information research unit. Other sites used locally-developed lists, and a few had no formal lists but instead relied on the judgement of the case managers. Typically, where there were such lists, exceptions could be made so long as a prospective trainee could present evidence that a job would be available once training was complete; however, a few local areas allowed no exceptions whatsoever.

Other restrictions related to dollar or time limits. Nearly all of the sites set a dollar cap on the amount of the ITA that would be funded, but these varied widely across sites, from a low of \$1,700 to a high of \$10,000. Tuition and fees, as well as books, uniform, and equipment would normally be funded by the ITA, and supportive services would be provided from a separate pot of money. In keeping with WIA, trainees were typically expected to apply for a Pell grant, and amounts they received from that source were often applied to the cost of the training, with the ITA paying any balance due. Nearly all sites also had time limits on the duration of training that they would support, which they usually set at two years. Overwhelmingly, both dollar and time limits were imposed by local areas; although they were allowed to impose limits of their own, states generally felt that these decisions should be left as a local prerogative.

Even with these limits, sites could be investing a substantial amount on each trainee. For that reason, and also because performance accountability is so central to WIA, sites had an interest in doing what they could to ensure that their ITA holders completed the training and obtained a well-paying job afterwards. Thus, all sites made provisions for keeping abreast of the trainee's progress and attempted to address problems as they arose. Some sites were more proactive than others were, but virtually all maintained at least monthly contact with WIA participants in training.

Given that their performance is publicly displayed as part of the consumer report system, vendors also have a clear stake in the trainee's success, and thus they too played a part in monitoring the participant's progress. Along these lines, proprietary schools—at least those that we visited as part of this study—seemed very attentive to students' needs for extra assistance, and were aggressive in helping their students find jobs once the training was completed. By contrast, although community colleges offered counseling and placement services, they were typically less proactive in their approach.

DEVELOPING THE ETP LIST AND CONSUMER REPORT SYSTEM

A key element of the training system envisioned by WIA is for there to be clear accountability and strong information systems to support customer choice. The eligible training provider (ETP) list and consumer report system (CRS) constitute essential tools for these purposes. Developing the ETP list and consumer report system proved to be extraordinarily resource intensive.

A key issue that states grappled with as they assembled the CRS was deciding whether only ITA-approved vendors should be included or whether it should include non-ITA approved vendors as well. About half of the states adopted each approach. Those that were developing a restricted consumer report system emphasized the primary objective of supporting training customers in selecting a vendor; those that opted for the broader approach were giving emphasis to developing a resource for the universal customer in core services and making the broadest possible use of the resource they were developing. Using different logic, both also saw their approach as serving as an inducement for vendors to seek ITA eligibility.

Regardless of the approach they took, sites were generally eager to widely publicize the ETP application process and have as many vendors apply for eligibility as possible. In some cases, states took the lead role, such as by sending an ETP application packet to all state-certified training vendors in the state. In other states, local areas took the lead role, such as by communicating with their former JTPA providers or holding informational sessions in the community. Most states attempted to automate the application process, both to make it easier for vendors to apply and also to expedite the state's and local areas' roles in processing applications and entering the data into an electronic ETP listing. Those states without an electronic application found the process substantially more burdensome.

Only two states set performance requirements for initial eligibility. The others dispensed with such requirements, because they felt ill equipped to make decisions regarding performance benchmarks at such an early stage. In general, vendors were not even required to submit performance data as part of their initial application. States felt that doing otherwise would impose a substantial burden on vendors that they were not yet prepared to meet.

In keeping with the legislation, the approval process for initial eligibility basically worked the same way in all the sites we visited—local areas would first review the applications, make a judgement of whether the application should be approved, and then

pass the application on to the state, along with the local area's recommendation, for final disposition. The one difference was that some states had vendors submit their applications directly to the local areas, while other states had vendors submit their applications to a central state clearinghouse, which then forwarded the applications to the local areas for their review. The latter approach was viewed as easier for vendors, who would need to submit just one application for each of its programs rather than multiple applications to multiple local areas throughout the state; it also standardized the application process somewhat.

Regardless, a concern that local areas expressed was having a vendor's application for eligibility denied by one local area but approved by an adjacent one. Given that ITA holders can hypothetically choose any vendor on the state list, presumably a trainee could thus select a vendor that the local area funding the ITA had disapproved. Several of the case-study sites were attempting to develop a regional approach to ETP review to eliminate this possibility. The case managers in another site admitted that they could not envision authorizing an ITA if the customer had selected a vendor that the local area had not approved, except under exceptional circumstances.

Another concern was that many states anticipated a sharp drop in the number of vendors who were approved once subsequent eligibility began. As mentioned, only two states imposed performance requirements for initial eligibility, deliberately with the thought that they wanted as many vendors to apply as possible. Similarly, few reporting requirements were imposed, beyond asking the vendors to provide basic information about each of their programs, such as the duration of training and its costs. But, for subsequent eligibility, vendors must be prepared to begin submitting performance information about their programs, relating to the completion rates and employment outcomes of trainees, including those that were WIA funded and others. Many vendors, especially community colleges, have balked at these requirements. They viewed the time and effort necessary to assemble the necessary information as not worth the trouble, given that they anticipate serving relatively few WIA-funded trainees. As open-enrollment institutions serving diverse community needs, some community colleges also feel that their measured performance could misrepresent their actual success, given that some of their non-ITA enrollees might lack adequate preparation for training or others might not have employment objectives in mind.

Another reason why the ETP list under subsequent eligibility might be appreciably smaller than the initial list is that all states will presumably impose required performance

benchmarks for subsequent eligibility, while only two states did so for initial eligibility. Few states had made much progress in establishing guidelines for subsequent eligibility. All were grappling with where to strike the balance between setting the minimum requirements high enough to reflect their high expectations, while not setting them so high as to exclude so many vendors that participant choice is seriously compromised.

Definitional issues were also presenting serious conceptual hurdles. For example, even at the point of initial eligibility states needed to make clear what would constitute a “program” for purposes of the ETP list. Thereafter, as they attempted to measure performance for subsequent eligibility, they needed to decide how key terms would be defined, such as who counts as enrolled and what constitutes a completion. Given the fact that many community college enrollees may take variable sequences of courses with different employment and other objectives in mind, states were generally allowing vendors to self-define programs and some were counting as enrollees only those who declared their intention to complete the entire sequence of courses that made up the program, with employment as the intended objective.

Amassing the data to measure performance, however the measures were defined, also will prove challenging. In keeping with WIA requirements, states were planning on relying heavily on using Unemployment Insurance wage records for measuring outcomes that were employment related. Thus, vendors would forward the social security numbers of enrollees to the relevant state entity, who would then conduct the UI matching on the vendors’ behalf. This approach seemed to make the most sense from the standpoint of ensuring completeness, reliability, and comparability. However, the mechanics of this process were generally still being worked out.

In contrast to employment outcomes, where the states will bear most of the burden in data collection on the vendors’ behalf, most states are expecting vendors to supply data on their programs’ completion rates. One state, however, has agreed to compute even these rates for vendors, if the vendors will forward to the state the vendors’ enrollment database.

Because of the complications that needed to be resolved, at the time of our site visits only a few states’ systems had any information about vendors’ performance. Clearly, much work remains to be accomplished for the consumer report systems to fulfill their function of providing an important resource to guide customer choice.

VENDORS' REACTION

In the local areas we studied nearly all training vendors certified as eligible for ETP purposes are either community colleges or proprietary schools. These two types of institutions have very different missions and define themselves very differently. The former have traditionally filled an important role in providing training under JTPA, because of the breadth of their offerings and generally low tuition, and it is expected that they will be similarly important under WIA. However, many are balking at the eligibility requirements that WIA imposes, especially the need to submit performance information about their programs. In their view, the low volume of ITA-funded trainees that they can anticipate does not warrant the time and expense that such a requirement would entail. They also fear that their performance would be inaccurately characterized, given the mix of customers that many of them serve.

By contrast, the proprietary schools whose representatives we met characterized themselves as being active in the marketplace and highly performance driven. For their own purposes, or to meet other state or federal certification requirements, these schools had been accustomed to collecting and reporting performance data and saw no difficulty with doing so for ETP purposes. They were also highly adaptable and flexible, modifying course content, starting times, and training durations to better appeal to potential trainees.

Community-based institutions constitute a third group of potential vendors. While we did not visit with any community-based organizations that provide ITA training, Local Board and One-Stop staff noted that many of these organizations provided training to economically disadvantaged adults under JTPA, but are less likely to be successful under an ITA system because of their traditionally narrow customer base. Further, they are usually thinly capitalized and are likely to have difficulty coping with an irregular flow of ITA students.

PRELIMINARY CONCLUSIONS

The full ITA and consumer report systems envisioned by WIA were still very much under development at the time our site visits occurred. Our upcoming second round of site visits, to be conducted in the summer and fall of 2001, will thus offer the important opportunity to view these systems as they have evolved. At this point, however, some preliminary conclusions can be drawn.

1. State and local-area flexibility seems to be embedded in the systems that are developing. Thus, although there are obvious broad similarities in the systems

that are developing, states and local areas are making unique decisions regarding key features of ITA policies.

2. That flexibility, although clearly embraced by states and local areas as a good thing, is causing some confusion and uncertainty at this early stage. Thus, some local areas are unsure exactly what their policies and systems should look like. In light of this uncertainty, more peer-to-peer exchanges would be highly valued, so that sites could share ideas and examples.
3. Overall, there is likely to be a substantial drop-off in the number of persons entering training, at least in WIA's first full year of implementation. This drop-off will come about for a variety of reasons, including a strong economy that has made job opportunities plentiful, competing priorities for using scarce WIA funds, and case managers' reluctance to authorize training unless it is absolutely necessary.
4. Sites are maintaining a strong customer focus in the way they approach WIA's three service levels. Despite the reluctance in some cases to authorize training unless it is absolutely necessary, in general we observed that sites are highly flexible in their approach to customer services. Thus, although sites have guidelines for how customers should move through the service levels, it was apparent that those guidelines were not meant to be followed rigidly and that customers' obvious needs were taking precedence.
5. Customer choice, informed by good information, is clearly apparent in the way that sites are working with customers to help them select training programs and vendors. At the same time, this choice is structured within a framework that requires that customers undertake a careful assessment of their skills and abilities and conduct extensive labor market and other research. To this degree, customers are making choices only after being exposed to a range of good information.
6. Front-line staff are generally playing roles that support informed choice. In most local areas that we visited, case managers were playing the role of "facilitators," and were lending the benefit of their expertise without being overly directive. To this degree, customer empowerment was being promoted. Given that many sites had moved away from contract training in JTPA's waning years, and, in some cases, had previous experience with vouchers, case managers often felt that operating under an ITA system was not that much different from what they were accustomed to.
7. The underdeveloped state of most consumer report systems has meant that concrete and comparable information on vendor performance has not been one of the sources that most customers have been using in making their training decisions. Moreover, given the difficulties that lie ahead, with respect to data collection and data management, it will likely be some time before consumer report systems are reasonably populated with information about vendors' performance.

8. Incentives for community colleges to participate in the ETP system need to be established. Proprietary schools as a whole have been very agreeable to the requirements that the eligibility process entails. Community colleges, by contrast, view these requirements as not worth the effort, given the few ITA customers that they anticipate serving, and their focus as educational institutions. Given the important role that these institutions play in giving ITA holders meaningful choice, sites need to develop strategies to keep community colleges as active players in the training marketplace.
9. The ITA/ETP process is presenting substantial challenges to training vendors that relied heavily on workforce development funding under JTPA. Reliant for so long on contract training for serving special populations, these organizations are finding that their customer flow has been gravely interrupted since the enactment of WIA. This challenge has fallen especially heavily on community-based organizations. Without an alternative customer base, many of these institutions are facing insolvency. Their absence will represent a substantial loss to their communities.
10. Processing vendors' applications and developing the consumer report system are extraordinarily difficult and resource-intensive undertakings. In light of this, several grantees noted how fortunate they consider themselves to be in having been selected to participate in this demonstration, as it has provided them with access to special funds for system development that otherwise would have needed to come from their regular WIA formula allocation. This observation speaks to the difficulty that non-grantee states may be encountering with system development, and also for the need for states and local areas to develop systems that, once developed, can be sustained at minimal cost.

I. INTRODUCTION

The Workforce Investment Act (WIA) of 1998 brought about substantial changes in services provided to persons seeking employment and training assistance. An important element of WIA is the requirement that training services be provided, with certain limited exceptions, through individual training accounts (ITAs), which provide vouchers or related funding vehicles customers can use to pay for training. The establishment of ITAs is intended to empower customers to make their own choices, while promoting accountability among states, local areas, and service providers in meeting customers' needs.

To examine how ITAs are currently functioning and how they might be structured for maximum benefit, DOL has funded Mathematica Policy Research (MPR) and its subcontractor, Social Policy Research Associates (SPR), to conduct an evaluation. The evaluation consists of two distinct components. The first is a process study of thirteen federally-funded demonstration projects whose progress in establishing ITA and eligible training provider (ETP) systems and structures is being examined. The second component consists of an experimental evaluation of three distinct models of ITAs that vary in the amount of the voucher and the degree to which customer choice is guided by the case manager. This *Interim Report* describes our preliminary findings from the first of these two evaluation studies.

The remainder of this chapter first describes the policy background related to ITAs and presents a conceptual framework for the evaluation. Then we summarize the process by which DOL selected the demonstration projects to be studied, and we briefly identify their salient commonalties and differences. The chapter concludes with a description of the research design and methods of data collection associated with our study.

INDIVIDUAL TRAINING ACCOUNTS IN THE CONTEXT OF WIA

The Workforce Investment Act substantially reshaped the nation's employment and training system. One of the primary goals of the legislation is to empower customers to take control of their own career and training choices while providing them with the information and other supports that they need to choose wisely. One way that local job training agencies promote choice is by issuing individual training accounts to adults and dislocated workers who are undertaking training.

Services Available to Adults and Dislocated Workers

The WIA legislation requires the use of ITAs only for the adult and dislocated worker programs funded under Title I. As defined by WIA, Section 101, adults include all individuals who are 18 years of age or older. Dislocated workers are those who:

- Have been terminated or laid off (or received a notice of termination or layoff) from employment, are eligible for or have exhausted entitlement to unemployment compensation (or otherwise show attachment to the workforce), and are unlikely to return to their previous industry or occupation, or
- Have been terminated or laid off (or received a notice of termination or layoff) from employment as a result of any recent or impending permanent plant closure or substantial layoff, or
- Were self-employed but are now unemployed as a result of general economic conditions or because of a natural disaster, or
- Are displaced homemakers, defined to be those who have been providing unpaid services to family members in the home, have been dependent on the income of another family member but no longer are supported by that income, and are unemployed or underemployed and are experiencing difficulty in obtaining or upgrading employment.

The programs for adults and dislocated workers are separately funded, but both were authorized to increase the employment, retention, earnings, and occupational skills of participants and, as a result, “improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the nation” (WIA Section 106).¹ To achieve these goals, adult and dislocated worker programs establish a hierarchy of three service levels that consists of core services, intensive services, and training services.

Core services consist of providing basic information primarily intended to assist individuals in conducting job search or accessing training or other services on their own. In keeping with this, activities authorized by the legislation (Section 134d) as core services include:

- Providing an orientation to services offered under WIA,

¹ Throughout this chapter, and elsewhere in the Report, we identify relevant sections of the WIA legislation or implementing regulations as found in the Code of Federal Regulations (CFR), as an aid to the reader.

- Providing an initial assessment of skill levels, aptitudes, abilities, and supportive services needs,
- Providing job search and placement assistance, and, where appropriate, career counseling,
- Providing information on jobs in demand in the local economy and on eligible providers of training services,
- Describing procedures for how one can access unemployment compensation, and
- Providing follow-up assistance to individuals who were served by the program and were placed in unsubsidized employment.

All adults and dislocated workers are eligible to receive core services. Customers can access these services on their own (e.g., through electronic listings of information) or with minimal staff assistance.

Intensive services consist of activities involving somewhat greater staff involvement than is typical for core services, but the focus is still on providing participants with guidance or information that they need to make informed choices about their careers. For example, activities authorized as intensive services can include:

- Providing comprehensive and specialized assessments of participants' skills or service needs,
- Developing an individual employment plan for them,
- Providing group or individual counseling and (for participants undergoing training) case management,
- Delivering short-term prevocational services (e.g., assisting participants in developing interviewing skills, communication skills, personal maintenance skills, and the like).

Only persons who have been unable to meet their employment objectives through core services will be eligible to participate in intensive services. Moreover, for participants served under the adult program, priority is given to public assistance recipients and other low-income individuals.

Training services include skill-building activities that are designed to make participants more employable. Training activities that are explicitly authorized (WIA Section 134d) include:

- Occupational skills training,
- On-the-job training,

- Training programs operated by the private sector,
- Skill upgrading and retraining,
- Entrepreneurial training,
- Job readiness training,
- Adult education and literacy activities (but only if provided in conjunction with another training service),
- Customized training for individuals to be hired by a specific employer.

Following a hierarchy of service levels, training services are available only to those who have undertaken at least one intensive service without it meeting their employment goals. Additionally, persons are funded for training only if they are deemed to have the skills necessary to succeed in training, select a program of training for jobs that are available, and require assistance beyond what is available from other sources (e.g., Pell grants). As with intensive services, those funded through the adult program receive priority for training if they are public assistance recipients or other low-income individuals.

With respect to service delivery, core services are to be provided through a One-Stop delivery system, which includes at least one comprehensive One-Stop Center in each local workforce investment area and potentially a network of affiliated sites. Intensive services are also to be made available through the One-Stop delivery system, either directly or through contracts with service providers. In contrast, training services will generally be delivered by establishing an *individual training account* that the customer can use to procure training services from eligible training providers. Local workforce investment areas are required to use ITAs to provide training, except in some specified circumstances. As specified by WIA (Section 134d4G), these exceptions include contracts that the local area can write to fund:

- On-the-job training or customized training provided by an employer,
- Training programs by community-based organizations or other private organizations that are of demonstrated effectiveness in serving “special participant populations that face multiple barriers to employment,” or
- Other providers, if it is deemed that there are too few providers in the area to fulfill the intent of ITAs.

Role of Individual Training Accounts and Training Providers

ITAs are intended to transform the delivery of training services to adults and dislocated workers by ensuring customer choice. In this regard, once issued an ITA a customer will generally be free to use it to procure the training services of his or her

choice, subject to some restrictions. First, as noted above, training must be directly linked to employment opportunities in the local area (or in another area in which the participant is willing to reside). Second, states and local areas may place restrictions on the duration of training that can be undertaken and on its costs (20 CFR 663.420). Third, customers may use their ITA only for approved training programs. To attain this classification for one or more of its training programs, the training provider must have: 1) submitted an application for the program to appear on the eligible training provider list, 2) agreed to provide information on program costs and on the performance of recent trainees for each training program in which the provider wishes to be certified as eligible, and 3) meet certain performance benchmarks established by the state and local area.

With respect to provider eligibility, the state is responsible for developing the overall procedures. As outlined in the Act (Section 122), these responsibilities include establishing procedures for initial and subsequent eligibility. The procedure for initial eligibility is different for postsecondary educational institutions than for other providers. Postsecondary educational institutions that award a degree or certificate and are eligible to receive funds under the Higher Education Act are to be considered initially eligible, as long as they submit an application to the local area containing the information required by that area. However, other providers, in their application for initial eligibility, may be asked to submit program-specific information about the costs of their training services and the outcomes achieved by former trainees, and have met performance levels if required to do so by the state.² The state is to establish these requirements after a consultation process involving Local Boards, business, and labor.

Initial eligibility can last from 12 to 18 months. Thereafter, all providers who seek certification, including postsecondary degree-granting institutions, must submit performance and cost information and meet performance criteria annually, in order to maintain subsequent eligibility (WIA Section 122c and d). This performance information should cover:

- Outcomes achieved by *all individuals* who participated in the programs for which the provider is seeking certification, including:
 - The percentage of those participating who completed the training.
 - The percentage of those participating who obtained unsubsidized employment.

² New training programs are, however, exempted from meeting the performance criteria.

- The wages at placement of all individuals who participated.
- Outcomes achieved by *individuals funded by WIA* who participated in the programs for which the provider is seeking certification, including:
 - The percentage of those participating who completed the training and obtained unsubsidized employment.
 - The percentage of those who completed the training who were found to be in unsubsidized employment six months after being placed in employment.
 - Wages received by those who completed the training, measured six months after the first day of the employment involved.
 - If applicable, the percentage of graduates who obtained a license or certificate, an academic degree or equivalent, or other measures of skills.

The required performance levels on these measures are established by the states, although local areas can establish higher levels. In any case, the levels established for a provider should take into account characteristics of the local economy and of the persons it serves. Performance information on the employment measures must be compiled using data from the Unemployment Insurance (UI) system.

According to WIA, the local boards should review all applications, whether for initial or subsequent eligibility, and then forward the list of providers they have approved to the state. The state, in turn, is to check the performance data for accuracy and compile a master state eligible training provider list, which is disseminated to all local areas along with the cost and performance data. This complete information packet is referred to as the “consumer report system,” and should include any additional information “necessary for an adult or dislocated worker customer to fully understand the options available to him or her in choosing a program of training services” (20 CFR 633.570).

CONCEPTUAL MODEL FOR THE EVALUATION

The use of ITAs represents a dramatic shift in the way in which training services are delivered, with potentially important implications for the ways in which One-Stop Centers, vendors, and customers relate to each other. However, although the broad guidelines described above are prescribed by the WIA legislation and implementing regulations, states and local workforce investment boards have substantial discretion in how ITAs are developed and used in practice, for example with regard to the performance levels required of eligible providers, the information included in consumer report systems, the types of customers for whom training services are deemed

appropriate, the guidance customers are given to assist them in making training choices, the ways in which vendors are monitored, and the types and duration of training that is considered “fundable.” To help us understand this variability, and how it impacts the delivery of training services, we have developed two heuristic models. The first is a system-level model of ITA implementation, depicting how the system of training services might be expected to develop. The second model depicts a customer-level view of how clients might flow through the system, and it identifies quality indicators for the various steps of the process.

System-Level Model of ITA Implementation

ITA implementation represents a wholesale transformation of how the various actors in the training system—including the federal and state governments, local workforce boards, and vendors—relate to one another. An important objective of this evaluation is to describe these changes. To clarify these interrelationships, we outline below the roles the various actors are expected to play.

The Federal Role. The WIA legislation itself and the implementing regulations developed by DOL constitute the broad guidelines within which the ITA system will develop. Because the legislation and regulations will not vary, at least over the short-term, they constitute a context for the development of the ITA system rather than an important source of site-to-site variation. Nonetheless, the guidance that DOL issues and the training and technical assistance it provides can be expected to evolve over time, partly in response to input from states and local areas as they grapple with the practicalities of implementation.

State Decisions and Influences. Under the WIA legislation, Governors play an important role in setting guidelines for their local workforce investment areas’ use of ITAs. Their responsibilities include establishing criteria for determining the eligibility of training providers, both initially and subsequently. As part of the certification process, states also develop monitoring and enforcement procedures to ensure that providers report information accurately and comparably. Similarly, procedures for sanctioning providers who report inaccurately or whose performance slips below specified thresholds must also be developed. Finally, with respect to certification, the state designation board maintains and updates the state-approved list of eligible training providers and disseminates the list along with each provider’s performance and cost information. States may vary in the procedures they establish for these purposes, including how local boards (and potential trainees) access the list, how the list is updated, and the ways in which

performance and cost information are conveyed to allow meaningful comparisons across programs of different types. Some states might also include on a master list providers who are not deemed eligible under WIA Title I; the advantages of doing so would be to make available a comprehensive information tool to be used by customers in core services or by partner programs.

States can also set limits on the types or duration of training that will be funded (20 CFR 633.420). States may establish these restrictions as upper limits on either the length of training that will be supported, the costs incurred, or both. Or they may establish limits for individual customers based on their training needs (e.g., depending on which field of study they are undertaking). Similarly, they can restrict the period of time over which trainees can access funds in their training accounts. An important objective of the evaluation is to understand how and why these decisions were made and to track their implications for the design and delivery of training services at the local level and from the standpoint of ensuring customer choice.

An additional state role lies in training and capacity building. The WIA legislation (Section 134a) gives states discretion to use their WIA funds for these purposes, including providing assistance and training to One-Stop operators, One-Stop partners, and eligible providers. The type of assistance that is provided can clearly be expected to influence the service delivery process.

By way of establishing a context, it is also important to note the prior progress that states have made in implementing many of the tenets of WIA. Although ITAs represent a relatively new development in the delivery of workforce training, many states had already made substantial progress towards implementing a One-Stop service delivery system during the last few years of the Job Training Partnership Act (JTPA), which WIA replaces. As part of this process, many developed highly detailed data banks with sophisticated user interfaces to help customers make career choices and access information about training providers.³ Thus, as the demonstration begins, states find themselves at uneven stages in the development of the infrastructure that WIA mandates. Their recent experience with One-Stop implementation, which was in progress at the time

³ DOL awarded One-Stop implementation grants to states and local areas in the several years before WIA was enacted. The first round of implementation grants to nine states was awarded by PY 95. Additional states received grants in waves from subsequent rounds of funding through PY 98.

DOL awarded the demonstration grants, and the data systems that had already been constructed are important for understanding subsequent developments.

Influences and Responses of the Local Areas. Local boards are responsible for implementing an ITA/ETP system that meets state and federal guidelines, while being responsive to the needs of their customers. As part of their responsibilities, these boards must identify providers who are designated as eligible vendors according to the criteria established by the Governor, and they can impose additional performance criteria. In addition, they may impose limits on the types of training that will be funded (e.g., to ensure that the proposed training is directly linked to employment opportunities in the area) and the dollar amount of training that will be funded for different types of customers.

Payment mechanisms that local areas establish might also vary, including how and when payments are made to providers. Evidence from the Career Management Account (CMA) Demonstration, which tested ITA-like procedures, suggests that different funding mechanisms can be used, including credit card-like transactions, a checkbook or payment-coupon system, and trainee identification cards to establish eligibility.⁴ Similarly, payments can be tied to benchmarks relating to the trainees' performance (e.g., satisfactory attendance or progress must be maintained).

Local Boards also have discretion in determining whether and under what circumstances exceptions to the use of ITAs will be considered. Such instances might include when there are an insufficient number of eligible providers in the area or a CBO of demonstrated effectiveness in serving special populations is identified. Conversely, a Local Board may decide to extend the use of ITAs to customers beyond those served with WIA Title I funds, such as for persons undergoing training funded by a partner program.

Staff members of One-Stop Centers also have substantial discretion in determining who is eligible for training services. Given stipulations in the legislation, decisions must be made regarding who is in need of and able to successfully complete training, and in what manner priority for public assistance and other low-income individuals will be established from among those served in the adult program. Similarly, because only those who have received core and intensive services without having their needs met are eligible

⁴ The CMA Demonstration was launched in the summer of 1995 when DOL awarded grants to 13 local areas.

for training services, we need to understand how services are tiered within the One-Stop Center and how customers move through the various service levels. Finally, within the framework of providing customers with the information they need to make informed decisions, counselors perform the important role of helping customers interpret assessment results, assisting them in developing an individual employment plan, and weighing the advantages of choosing from among alternative providers. Results from the CMA Demonstration suggest that some case managers have difficulty providing helpful guidance along these lines while relinquishing control over the ultimate decision-making.

Local areas' prior experience with voucher-like systems is also important to this evaluation. For example, some sites selected for the evaluation have participated in the CMA Demonstration. Following many of the principles of ITAs, this demonstration was similarly designed to increase customer choice while allowing individuals to control their career and training plan. Obviously, lessons local areas have learned from this prior experience will influence developments under the current demonstration. More broadly, many local areas had already moved away from class-size training and towards individual referrals in the last several years of JTPA.

Finally, as part of the efforts that they have already undertaken to promote self-services within a One-Stop context, some local workforce investment areas have begun assembling information about training providers, including data concerning provider performance. Other local areas, by contrast, are just beginning the process.

Vendors' Influences and Responses. Under the ITA system, vendors' roles and relationships to other actors have changed dramatically in comparison to the situation that was typical under JTPA. Under WIA, vendors who are interested in being certified as eligible have a primary obligation to demonstrate their effectiveness to the state and local boards, as evidenced by their program completion rates, employment rates, wages at placement, or other information required by the eligible provider system. Accordingly, if they have not already done so, vendors must develop and maintain the data systems necessary to track their performance.

Vendors may also have an interest in marketing their services directly to prospective trainees, who now have much more discretion than previously in choosing the training venue that they feel is most appropriate. Vendors may also respond by modifying course offerings, training duration, and fee structures to make their offerings more appealing to consumers.

Customer-Level Model of Training

In addition to understanding the policies and procedures that states and local areas develop, an objective of this evaluation is to examine how customers access training and the types of choices they make. To provide a framework for evaluating this process, we draw on indicators of high-quality service planning that we have developed and applied in many of our previous evaluations for DOL.⁵

Levels of Service. To understand fully the assistance that trainees receive, we need to examine what core and intensive services have been provided before the customer accessed training services. According to WIA, only those who have been provided at least one core service and one intensive service are eligible to receive training services. Local areas might have very different policies regarding what core and intensive services are provided and for what duration, before access to training services is permitted. For example, in some cases, one core and one intensive service might be provided quickly—even in a single visit to the One-Stop Center, when it is clear that a customer will need training services to be successful in the labor market. In other local areas, a more protracted service sequence may be required. Thus, customers may have had very different service histories before an ITA is issued.

Assessment and Service Planning. Customers undertaking training will normally have an individual employment plan (IEP). As defined by the WIA regulations, the IEP should be jointly developed by the participant and the case manager and identify “the participant’s employment goals, the appropriate achievement objectives, and the appropriate combination of services for the participant to achieve the employment goals” (WIA Section 134d3C).

Under WIA, customers have a substantial new responsibility in developing the IEP and carrying it out. Case managers, in turn, have an obligation to provide potential trainees with the guidance and information to enable them to make informed choices. As part of a high-quality service-planning process, customers should be provided with a comprehensive assessment of their basic and occupational skills, interests, and aptitudes, leading to a determination of what skills the customer already possesses and which additional ones are needed to ensure competitive performance in the labor market. The assessment should lead to a determination about whether or not additional training is

⁵ See, for example, *A Guide to Well-Developed Services for Dislocated Workers*, ETA Research and Evaluation Report Series, 1994.

desirable and, if so, for what type of training the customer is best suited. At the same time, supportive service needs should be evaluated, so that potential barriers to a customer's successful completion of training can be redressed.

Customers consult with their case managers using the assessment results as a tool in developing the IEP. As a first step, case managers can provide career counseling and assist the customer in career exploration. A high-quality IEP should then clearly identify the customer's short- and longer-term employment goals and the training objectives for achieving those goals, including interim benchmarks. The plan should be tailored to the skills, interests, and background of each participant, and should involve the customer in the service planning process. Finally, the IEP should establish high yet realistic expectations for learning and employment success, and should establish clear and appropriate goals that the participant is committed to achieving. With respect to training, case managers must balance the need to guide the participant in his or her decision-making while allowing for maximum customer choice; how this balance is struck may vary across local areas, and, within each area, from case manager to case manager.

Linking with Other Funding Sources. According to the WIA legislation (Section 134d4B), program operators are expected to coordinate training funds that might be available from other sources, including Pell grants. To ensure that WIA funds are used most effectively, case managers should therefore explore these alternative funding sources with participants and assist them in accessing these sources whenever feasible. Similarly, WIA funds are to be used for meeting supportive service needs only when participants are unable to have their needs met through other sources. These strictures thus impose the responsibility on program operators to work collaboratively with other funding agencies and to leverage other resources when feasible. Thus, it is important to document what non-ITA resources customers have access to and from what sources they derive.

Training Content, Duration, and Quality. As part of the evaluation, we also need to understand what types of training customers actually undertake. One reason that training choices will vary across sites is because the extent of empowerment engendered by ITAs will also vary. For example, in some local areas ITAs may present customers with a bewildering array of choices, while in places with few vendors customer choice will be quite limited. Even in areas with extensive choice, customers must negotiate with their counselors to complete a training plan that adheres to state and local policy

guidelines (e.g., based on what occupations are determined to be in demand, with respect to limits on costs or duration of training, etc.).

We also need to document how customers make choices, based on what information is provided to them. This information can include assessment results, discussed above, but also the consumer report system, which is designed to provide customers with rich information about vendor performance and costs, along with additional data that may help them make a training choice. Customers may also respond to marketing appeals made by vendors, or have strong prior preferences about what training they want to undertake. Accordingly, some individuals may be little influenced by either vendor performance, assessment results, or the advice and guidance provided by a counselor, and instead rely on more “subjective factors” in making their decisions. How these diverse factors interplay in leading to training choices and how they vary across local areas are key areas of inquiry for this evaluation.

GRANTEES SELECTED FOR THE DEMONSTRATION

In the summer of 1999, DOL issued a Solicitation for Grant Applications (SGA) for the Individual Training Account/Eligible Training Provider (ITA/ETP) Demonstration (SGA/DFA 99-017). This announcement emphasized that DOL was interested in identifying “a national group of vanguard sites” who were committed to implementing ITAs and establishing an eligible provider list that was consistent with WIA and “informed by best practice and insight from the field.” Chief goals of the demonstration include:

- Support for system-building at the state and local levels.
- Rigorous testing of several key models or approaches to the establishment of an eligible training provider process and ITA payment system.
- Identification of key components of effective ITA implementation.
- Support for demonstration “learning laboratory” sites in designing and implementing innovative processes and systems.
- Development of a learning network for information sharing, both across demonstration sites and to the larger employment and training system.

Each grantee was to receive an amount not in excess of \$500,000, for a grant period that was to last 18 months. In support of the demonstration’s goals, the SGA stipulated that funds could be used for a variety of activities, including:

- Designing and delivering in-service training courses that would help case managers understand their new role in supporting customer decision-making.
- Developing orientation sessions to help customers understand their opportunities and responsibilities.
- Developing orientation sessions on ITAs and the eligible provider process for vendors.
- Developing a system to track training provider performance.
- Developing an ITA expenditure reporting system to provide individuals with information on the status of their account balances.
- Supporting related efforts associated with implementing ITAs and the eligible training provider system, including travel for staff.

The SGA emphasized that funds were not intended to be used for direct training expenditures of customers, but rather for “building the ITA/Eligible Provider system.” However, grantees were allowed to use up to 20% of their grant award to fund such training, to supplement other funds that would also be used for this purpose.

To be consistent with the intent of the WIA legislation, DOL noted that plans for ITA systems being proposed by bidders would need to adhere to a number of guidelines on which substantive variability could not be allowed. Thus, all grantees would be required to include all adult ITA participants in the demonstration, inform participants of the dollar amount available in their ITA accounts, make available the performance and cost information on vendors that WIA requires, pay vendors on a timely basis, develop an IEP for each individual undertaking training, and inform staff of the role they are expected to play in the ITA process. Additionally, bidders were informed that they would be expected to administer a common customer satisfaction survey to both all participants and all staff.

There was nonetheless quite a lot of room for variability in the systems that grantees could establish, including with respect to these key features:

- How the dollar amount of the ITA is determined (e.g., fixed for all participants or varying by assessment results).
- Who approves the ITA (e.g., a counselor, a committee, etc.).
- What career direction is allowed and how informed choice is provided (e.g., how much leeway are customers given in choosing a career direction, how are demand occupations identified, what is the role of the case manager).

- Who has final authority on selection of the training provider.
- What the ITA can pay for.

Applicants responded to these guidelines and, on March 27, 2000, DOL announced that it had selected thirteen grantees to participate in the demonstration project. These are identified in Exhibit I-1. As the exhibit shows, the grantees differ with respect to the nature of the partnership that applied for the grant. Thus, six grantees are local workforce investment areas (LWIAs) that applied individually or on behalf of neighboring local areas. The other seven grantees are states. Of these seven, four are collaborating with some subset of the state's LWIAs, while the other three states are developing statewide systems and strategies.

RESEARCH DESIGN AND DATA COLLECTION

To investigate the issues described earlier in this chapter, the evaluation of the ITA/ETP Demonstration consists of a process study that entails two rounds of multi-day site visits to each of the thirteen grantees. In general, each site visit will entail interviews at both the state and local levels, regardless of whether the grantee was itself a state or local area. We believe that this approach is sensible given the inevitable interplay between state and local decisions, in keeping with legislative requirements. Nonetheless, because the grantees are so different with respect to whether the primary activity associated with the grant is at the state or local level, we will "customize" the site visit agenda to spend more of the time on site at the grantee's own level (i.e., by spending more time at the state level and less time at the local level for state grantees, and vice versa for grantees that are local areas).

The first round of site visits, which occurred in late summer and fall of 2000, forms the cornerstone for this report. Overall, the objectives of these visits were to understand states' and local areas' efforts at implementing the ITA and ETP systems, impediments to implementation that were encountered, and variations in key elements of the emerging systems. In investigating these issues, we engaged in approximately three days of data collection associated with each grantee that entailed:

- A review of written guidelines and plans regarding the use of ITAs.
- Discussions with the demonstration grant administrator.
- Discussions at the state level with administrators responsible for the ITA/ETP system, to learn about the process and procedures that states have established.

Exhibit I-1
ITA/ETP Grantees and Local Areas Selected for the First Round of Data Collection

Grantee	Area Partners	Local Areas Visited for First-Round Site Visit
Grantees that are Local Areas		
Baltimore Office of Employment Development	A single LWIA acting alone	• Baltimore
Indianapolis PIC	Collaborating with the state and 3 other LWIAs.	• Indianapolis (IPIC) • Tecumseh Area Partnership (TAP)
Macomb/St. Clair Workforce Development Board	A single LWIA acting with input from nearby LWIAs	• Macomb/St. Clair • Washtenow
Metro Portland (worksystems)	A single LWIA acting alone	• Metro Portland
Southeast Los Angeles County (SELACO)	A single LWIA acting alone	• SELACO
Southwest Connecticut (The Workplace)	A single LWIA acting alone	• Southwest Connecticut
Grantees that are States		
Georgia Department of Labor	State will collaborate with two local areas	• Several LWIAs in Metro Atlanta (Atlanta Regional Commission)
Missouri Division of Workforce Development	All 15 LWIAs in state will provide input	• West Central (Sedalia)
Nebraska Department of Labor	All 3 LWIAs in state will provide input	• Greater Lincoln • Greater Omaha
North Carolina Department of Commerce	State will collaborate with all LWIAs; a few will serve as test sites	• Capital Area (Raleigh)
Ohio Bureau of Employment Services	State will collaborate with two local areas	• Cincinnati (part of Workforce Investment Area 7)
Pennsylvania Department of Labor and Industry	State will collaborate with 5 LWIAs.	• Three Rivers Workforce Board (two LWIAs, Pittsburgh and Allegheny County)
Texas Workforce Commission	State will collaborate with 7 LWIAs.	• Heart of Texas • Golden Crescent

- Discussions with state and local MIS staff, to learn about the computer interface for the consumer report system, tracking, and the like.
- Discussions with local WIB staff and administrators of the One-Stop Center, to learn how the local area has provided input into the state guidelines regarding ITAs and what additional guidelines the area has established on its own, and how these guidelines have been implemented.
- Discussions with case managers and counselors, to understand the client flow-through process, including what types of assistance clients are given in making their training choices.
- Meetings with approximately two vendors, to discuss the ways in which they have responded to the WIA requirements.

Because all first-round site visits entailed data collection at both the state and local levels, a key decision involved deciding which local area or areas should be visited in conjunction with the study of state grantees. These areas were selected in consultation with the state ITA/ETP grant administrator and generally consisted of local areas that had some responsibility for carrying out the state's grant activities. Exhibit I-1, which was previously referred to, identifies these choices.

Although this Report is based on the first round of site visits, data collection will continue during the summer and fall of 2001, when each grantee will be visited a second time. Because the first round of site visits will have established the context in which grantees are operating, the second round of site visits will focus on the evolution of the ITA and ETP systems and on the actual process of service delivery at the local level. Thus, during the return visits more attention will be focused on the local level, even for grantees that are states, so that we can better understand the process by which clients flow through the system, their reaction to the ITA system, and the characteristics and quality of the services that result. In general, for state-level grantees we will visit local areas during the second round of data collection that are different from those we visited during the first round.

This *Interim Report* was prepared for DOL and is intended as a comprehensive account of the first round of data collection. It includes, in Chapter II, a discussion of the context for implementation, by reviewing the grantees' grant plans and their prior experience with vouchers and progress towards WIA implementation. Chapter III provides a discussion of ITA policies and procedures, including the priority given to training services, limits on the use of ITAs, and the client flow-through process with a focus on how customers become eligible to access an ITA and how they make their training choices. Chapter IV discusses the infrastructure supporting the ITA system,

including how vendors became eligible to provide training services and how vendor performance data are being collected and displayed to customers. The vendors' response to the ITA/ETP system then becomes the focus for Chapter V. Finally, Chapter VI concludes the Report with some summary observations. The *Final Report*, to be completed early in the year 2002, will provide a detailed accounting of the study's findings, using information gathered from both rounds of data collection.

II. GRANT PLANS AND IMPLEMENTATION PROGRESS

As discussed in the previous chapter, our evaluation focuses on the thirteen grantees selected to participate in the ITA/ETP demonstration. At the time these grants were awarded, the grantees differed with respect to their prior experience in using vouchers and, in general, with their readiness to operate under WIA guidelines. Partly for this reason, they articulated different objectives as part of their grant plans and experienced varied success in carrying out their grant objectives. To set the stage for the report's subsequent chapters, we now describe these differences.

THE GRANTEES' PRIOR EXPERIENCE AND READINESS

At least in principle, the use of ITAs, along with the concomitant obligation for states to identify eligible providers and develop a consumer report system, could represent a substantial transformation in the way training services are delivered. Along these lines, and in keeping with the principles of WIA, customers can become empowered to take control of their own training choices. Conversely, case managers need to adopt a coaching approach in working with their customers, rather than making decisions for them. The use of ITAs consistent with WIA also necessitates substantial effort towards building and managing information systems, such as in processing vendors' applications for eligibility, amassing information required for the consumer report system, developing searchable databases for customers to use in identifying and comparing eligible training providers, and building systems to track the commitment and expenditures of vouchers. These tasks are all potentially enormously challenging.

The extent to which they were so in fact, however, was contingent on both the grantees' prior experience with using voucher-like systems for training and their prior state of WIA readiness.

Prior Experience with Using Vouchers

A key provision of the system of training for adults and dislocated workers mandated by WIA enables prospective trainees to select a program of study and a training vendor that best meet their individual needs. This method for delivering training services stands in contrast to arrangements common under JTPA, whereby job training agencies contracted with training providers to deliver class-size training customized to a cohort of JTPA trainees. Although contracted training is still allowable under WIA, this legislation

makes clear that such arrangements should be developed only under certain limited circumstances.

However, in actuality most of the ITA/ETP grantees had gradually moved away from the widespread use of contracted class-size training during JTPA's waning years. In its place, customers were typically enrolled in occupational skills classroom training on an individual-referral basis. Indeed, one site claimed to have predominantly used individual referrals for training for decades and that over 95% of its JTPA training was conducted this way.

Even more importantly, prior to the onset of the ITA/ETP Demonstration at least eight sites had explicitly used vouchers for arranging at least some training. The most common vehicle for doing so was as part of the Career Management Account (CMA) Demonstration, described in the previous chapter. This demonstration project was designed to test the feasibility of providing training for dislocated workers through vouchers, so that customers would have maximum flexibility in selecting programs of study and training sources. A half-dozen ITA/ETP grantees (or their local-area partner) participated in CMA, either as a direct grantee or as a member of a consortium; these include Metro Portland, Baltimore, the Atlanta Regional Commission, Missouri (SDA II), Texas (East Texas), and Ohio (Cincinnati).

Some ITA/ETP grantees also noted that they had even earlier experience with using vouchers. In some cases, this experience is long-standing and far-reaching. For example, the Atlanta Regional Commission first began using vouchers as a way of providing training services to the approximately 13,000 workers who were dislocated in 1991 when Eastern Airlines went bankrupt. Given its existing infrastructure and the size of the dislocation, this local area was facing many more prospective trainees than it could readily serve with class-size training. As a result, it used a voucher system and largely let dislocated workers choose whatever training they wanted. Similarly, Metro Portland has a strong history of using vouchers. In addition to its participation in the CMA demonstration (as part of a consortium), this local area has embraced what it calls Individual Learning Accounts in a major way over the last several years. Like ITAs, Learning Accounts represent efforts to put money in the hands of social service

customers, who can then use these funds to advance their careers through continuing training and education.¹

The prior experience that many of the grantees have had with voucher systems and individual referrals for training left them much better prepared for adopting ITAs as the mechanism for providing training under WIA than would otherwise have been the case. For example, respondents at several of our case-study sites remarked that case managers had moved years ago to adopt a coaching approach to helping customers make training choices. As a result, they felt that, although the transition was difficult at the time, ITAs meant little change to the way they have been doing business over the previous several years. For example, Baltimore moved to implement a voucher system when it became a CMA demonstration grantee in 1995 and has stuck with this approach ever since. As part of the CMA experience, the workforce area facilitated a change in the way case managers performed their job, from being “paper-pushers” under JTPA, to becoming empowered to make decisions regarding how to serve clients as individuals with unique needs. Some case managers found this transition difficult, and some are still adapting to their new role, but the bulk of the turmoil associated with the readjustment occurred before WIA implementation.

Additionally, information systems of the kind envisioned by WIA’s call for a consumer report system were already under development in some cases. For example, the Atlanta Regional Commission found that many of the dislocated workers whom it served through vouchers as part of the Eastern Airlines bankruptcy had made poor training choices (e.g., cosmetology, bartending, and other jobs with poor career prospects). Consequently, it began to systematically build a vendor list and carefully monitor vendor performance, so that it could provide vendors’ performance information directly to participants. Subsequently, by participating in the CMA demonstration it was able to further develop and systemize its procedures. Similarly, Pittsburgh shifted from class-size training to what the city’s WIA manager termed a voucher system in 1996. As part of this process, the local Private Industry Council developed a performance review system for training vendors, known as the Singh report. The report was widely accepted

¹ Typically, Learning Account customers make regular contributions to their account, and these are matched by contributions made by employers and social service agencies. Funds can then be used to pay for education and training expenses.

by program administrators as a powerful tool to aid customers in identifying effective and ineffective programs.

Although grantees that had prior experience with vouchers had a head start towards ITA implementation, the transition has not been entirely trouble-free. One grantee, for example, noted that serving exclusively dislocated workers with vouchers, as it did under CMA, turns out to be a very different experience than serving low-income or welfare adults with ITAs, as it is doing under WIA. Customers in the former group, this grantee feels, are much more self-sufficient and need much less assistance and support than those in the latter group. Accordingly, the “light-touch” services that it had in place to move dislocated workers through the service levels, from self-directed job search to assessment and then referral for training, needed to be substantially intensified to meet the needs of low-income adults. Other grantees noted that, although case managers may have already come to adopt a coaching role to helping customers make training choices, WIA represented a new environment in which to do so. Under JTPA, for example, customers and case managers shared the presumption that all customers who came in for services would undergo training. By contrast, WIA, with its stipulations that training should be considered only when core and intensive services were unable to yield satisfactory results, changes this mindset completely. Thus, some case managers felt that under WIA they were taking much more time with each client, and thereby came to understand the client’s training needs and pre-existing skills and abilities much more completely. On the other hand, they often needed to overcome customers’ mistaken assumption that WIA, like JTPA, was “a training program” and that all customers would automatically be approved for training.

More generally, even grantees that had prior experience with vouchers, such as Baltimore, noted that staff training and capacity building needed to be ongoing efforts if the intent of WIA to empower customers was to be fully realized. Moreover, nearly all grantees found themselves far from having in place the informational infrastructure that the consumer report system requires, as a subsequent chapter will describe.

Overall WIA Readiness

Providing training through ITAs in a manner that is consistent with WIA requires more than developing ITA and ETP processes and procedures. On the contrary, ITAs need to be delivered as part of a comprehensive system for delivering employment and training services to a broad spectrum of adults and dislocated workers. This requirement entails establishing a One-Stop service delivery system, including the articulation of well-

developed self-service and staff-assisted core services and intensive services. In other words, in order for the ITA/ETP grantees to be effective in carrying out their grant obligations, they of necessity need to be operating within the context of a much more complex network of partners and services.

The level of WIA readiness varied substantially in the states and local areas that we visited, and this variation influenced to some degree how successful the grantees were in establishing their ITA/ETP systems by the time of our first site visits. Some grantees benefited greatly because the local area we studied or the state of which it was a part had long anticipated some of the changes required by WIA and had moved to develop a One-Stop delivery system well before WIA was enacted. For example, One-Stop Centers had been long established and were functioning quite smoothly in Texas quite a few years before our site visit occurred. Their development came about as a result of the Texas Workforce and Economic Competitiveness Act of 1993, which mandated the establishment of Career Centers that were to include the participation of JTPA, Employment Services, Unemployment Insurance, and various education programs. According to the legislation, each center was to provide labor market information, common intake and eligibility determination for all local workforce development programs and services, the independent assessment of individuals' needs and the development of individual service strategies, coordinated case management and counseling services, supportive services, and the use of individual referral for basic education and classroom occupational skills training. As a result of this head start, by the time the grant solicitation was announced, Texas had established over one hundred local Career Centers, of which 50 were characterized as WIA full-service centers.

In at least this one case, One-Stop service systems were to some degree home-grown and sprung from strong state-level initiatives. In our other case-study sites, however, One-Stop system building generally only began when the state was awarded a One-Stop implementation grant expressly for this purpose. These grants—which were awarded by DOL to all 50 states over a period of years from the mid- to late-1990s—provided much needed financial resources that states and local areas used to modify infrastructure, purchase new equipment, and develop and support self-service resources and tools. Similarly, the national network of support that developed around One-Stop system-building provided a fertile ground for the incubation of new ideas and the dissemination of information about promising approaches and best practices. Indeed,

across all the states that we studied, the One-Stop implementation grants, and the DOL vision that they represented, constituted a critical formative influence.

That uniform advantage notwithstanding, some states were clearly further along in the entire process of WIA implementation than others. A few of the states covered by the ITA/ETP demonstration (i.e., Texas, Indiana, and Pennsylvania) had applied to be WIA “early implementers,” which means that they were attempting to make the transition to WIA before the required start date of July 1, 2000. Some others had not applied for early implementation status, but nonetheless were also far along in their WIA transition process. As such, they had their state and local boards in place, had One-Stop systems in place, and, in general, had established necessary and relevant workforce policies and procedures. These states and the local areas that they represented were able to move quickly to establish their ITA/ETP systems, as was apparent when we first visited them in the summer and fall of the year 2000.

By contrast, other states were less ready with respect to the essential elements of WIA, and it typically slowed their ITA/ETP system development substantially. For example, one state was going through a somewhat difficult reorganization of its local areas at about the time the grant solicitation was announced. The controversy and disruption that this caused delayed One-Stop system building in the state such that no full-service centers had yet been chartered in the local area that we were going to visit as of the late summer of 2000, and virtually no one had yet been issued an ITA.

In another example, one local area itself was substantially far along in making the transition to WIA at the time the ITA/ETP grants were awarded and in fact had been designated as an early implementer under WIA. By contrast, during this same time, the state was undergoing some major revisions to its WIA State Plan, including a reconsideration of the definitions of the three service levels and the sequence of services, a development that was hampering the local area’s efforts to finalize its ITA policies and procedures.

GRANT PLANS AND GRANT IMPLEMENTATION

All of the ITA/ETP grantees are ultimately striving to obtain the same objectives—well-developed procedures for issuing ITAs, a comprehensive and readily accessible consumer report system, and a mechanism for tracking the obligation and expenditures implied by issuing vouchers. That said, some grantees were further along than others in establishing elements of these systems by the time the grants were issued, partly as a

function of their prior experience with vouchers and overall state of WIA readiness. Largely for this reason, they have identified different specific objectives in their grant plans and are consequently planning on using their grant funds in divergent ways. We identify some of these differences in Exhibit II-1, along with an indication of how progress towards grant implementation has proceeded to date.

As a glance at the table suggests, grantees have identified quite a wide variety of grant objectives. These range from the very broad, such as to further the development of ITA policies and ETP systems (several states), to the very specific, such as to develop the NC STARS system (North Carolina) or develop a code of ethics for vendors (Pennsylvania). In general, grantees that specified broader goals were not as far along in ITA/ETP system development at the time their grant proposals were prepared. By contrast, those that specified narrower goals had many elements of their systems already in place and were looking to enhance or refine them in some way.

Grant objectives can also be categorized with respect to their major area of focus. Along these lines, the most common cluster of objectives related to grantees' efforts to build electronic consumer report systems. It is widely recognized that assembling performance information about each program for which vendors are applying for eligibility and developing a user-friendly computer interface by which prospective trainees can access that information are mammoth and costly undertakings. In recognition of this, ten of the thirteen grantees specified grant objectives that related in some respect to building or enhancing their consumer report system. In some cases, this represented an effort on the part of state grantees (or state partners of local-area grantees) to build a major part of their statewide CRS. The grants of Indianapolis, Georgia, Missouri, Nebraska, North Carolina, and Pennsylvania can be classified in this way, with some being much more specific about the system they were building than others were. By contrast, several local-area grantees, including Baltimore, SELACO, and Southwest Connecticut, were interested in building a local CRS, either as a supplement to the state's emerging system (Baltimore) or as a temporary substitute (SELACO, Southwest Connecticut) in recognition of the fact that the states' systems would not be operational for quite some time. As a further adjunct to the CRS, two grantees (Missouri and a local-area partner working in conjunction with Pennsylvania) are exploring the possibility of establishing a customer messaging system, whereby trainees could post comments about the quality of the training they are undertaking.

The next largest cluster of objectives, articulated by eight grantees, related to capacity building, typically for staff. As with the group above, the grantees in this category varied with respect to the specifics of what they were trying to accomplish. For example, Baltimore was interested in hiring experts in assessment and counseling, one for each of its several One-Stop Centers, to work with customers and case managers to ensure that customers had the best information possible concerning their skills and other attributes so that they could make wise decisions about suitable programs of study. SELACO had a similar objective but a markedly different approach. This grantee was intending to use its grant funds to develop and refine the curriculum for a two-week group workshop that all prospective trainees would be expected to attend. The objectives of the workshop were to enable customers to support and assist each other through the process of making training choices, benefit from each other's experiences and peer support, and develop teamwork skills through this "task team" approach. Other grantees focused more traditionally on developing and delivering curricula for staff training related to ITA or ETP issues. Although this usually was intended to take the form of workshops or conferences for staff, some (Missouri and Pennsylvania) were interested in developing web-based staff training materials or modules.

The third largest category included six grantees that identified an interest in developing or testing ITA policies. Again, the specifics varied. One grantee (Indianapolis) is working in conjunction with several other local areas in the state to test alternative ITA policies, as a way of gathering information about which ones might be most effective. One of the local areas partnering with Ohio will administer an "environmental scan," again with an eye to learning about, and learning from, variation that is naturally occurring across local areas.

Macomb-St. Clair has a different approach to regional variation. This grantee is concerned (as are many other local areas around the country) about the confusion and possible unwanted competition among local areas that could ensue if each local area within a regional labor market adopted different ITA policies, such as with respect to caps on the duration or costs of training that would be funded or occupations considered to be in demand. If there were such variation, it is feared, customers could play off one local area against the others, or shop around for "the best deal." To circumvent such difficulties the seven local areas that make up the Southeast Michigan Workforce Agency Coalition (SEMWAC) elected Macomb-St. Clair to spearhead an effort to develop uniform regional ITA policies and procedures. As part of its grant activities, then, this

grantee hired a consultant to facilitate a workgroup of SEMWAC members that discussed: what funding streams should use the ITA process, what ITAs can be used to fund, how demand occupations should be defined, what funding or duration caps should be imposed, payment structures and processes, how ITAs should be coordinated with funds from other sources (e.g., Pell grants), and how trainees' progress while in training should be tracked. It also is discussing developing a regional approval process for vendors submitting eligibility applications, so that a vendor would not have one of its programs approved by one local area but rejected by a neighboring one.

In another example of how grant funds are being used, three grantees are attempting to develop software to facilitate the tracking of ITAs and ITA expenditures. In some cases, the software will enable customers to track their own balances (Missouri) and in others it is intended to be of primary benefit to the workforce area's fiscal staff and case managers (Baltimore and Texas). In Texas, one local area (Golden Crescent) took the lead in developing ASSET, which will be used by each local area in the state to track ITA budget amounts and expenditures, average costs per student, training courses being accessed, and ITA completions.

Three grantees (Texas, Pennsylvania, and Ohio) are using their grant funds to automate the vendor application process. These areas have realized that taking and processing paper applications is enormously time consuming and burdensome to staff. By automating the process, they anticipate realizing substantial resource savings.

Finally, a number of grantees have specified objectives that are quite unique and do not readily fit into any of the above categories. For example, Metro Portland sees that synergies can be realized between ITAs and Individual Learning Accounts and is using some of its grant funds to recruit employers to participate in its Learning Accounts program. One of the local partners participating with Ohio will be testing alternative ITA payment mechanisms (e.g., vouchers, smart cards), and a local area participating with Pennsylvania will be developing a code of ethics for vendors. Other areas in Pennsylvania will be exploring the feasibility of integrating employers' in-house training into the ETP system and developing a system to pool requests for training from different social service agencies so that better rates from vendors can be negotiated.

This range of variation clearly speaks to the difficulty and complexity of developing ITA procedures and ETP and CRS resources, and the large number of distinct activities that must be accomplished and coordinated. In light of this, several grantees

noted how fortunate they consider themselves to be in having been selected to participate in this demonstration, as it has provided them with access to special funds for system development that otherwise would have needed to come from their regular WIA formula allocation.

SUMMARY

The above review suggests that the grantees that were chosen to participate in the ITA/ETP demonstration generally had moved firmly away from contracted class-size training even before WIA was enacted. Most even had substantial prior experience with using vouchers, either as a CMA Demonstration grantee or otherwise. Due to their having received DOL One-Stop implementation grants during the mid- to late-1990s, almost all also had made substantial progress in having built the One-Stop systems that WIA requires.

These facts made their transition to the use of ITAs much easier than it otherwise might have been. Thus, some of our respondents noted that case managers had previously adopted a “coaching” approach to working with their customers and that customers were encouraged to exercise individual choice in choosing programs of study and vendors. Some sites had even begun to assemble list of vendors, with information about programs offered and the duration of training and its costs, as a resource for potential trainees to use in making their decisions.

This prior progress notwithstanding, the transition to the use of ITAs was not trouble free. The most glaring problem that sites experienced was that performance information on vendors, consistent with the intent of the legislation, was almost wholly absent. Thus, substantial new work needed to be accomplished to build consumer report systems, as a subsequent chapter of this report will describe. Additionally, because training is not assumed to be the appropriate course for all adults and dislocated workers registered in WIA, as it might have been under JTPA, case managers in some cases need to change customers’ expectations.

When we examined their grant plans, grantees identified a wide variety of ways in which they would be using their grant funds to help facilitate these changes. These plans varied in their specificity, with more narrowly focused grant plans typically articulated by grantees that had substantial prior experience with vouchers and who were at more advanced stages of WIA implementation. Most common were plans to use funds to help build consumer report systems. Other key objectives articulated by the grantees were to

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use funds for staff training or other capacity building, developing or testing ITA policies, and building automated vendor application processes, among others. As of the writing of this *Interim Report*, it is too soon to assess the success with which grant funds were used and what was actually accomplished.

Exhibit II-1
Grant Objectives, Planned Expenditures, and Progress to Date

Grantee	Primary Objectives of Grant	Progress at Time of Site Visit	Budget
		Grantees that are Local Areas	
Baltimore Office of Employment Development	<p>1) Develop a local supplement to the state consumer report system, with information of local relevance.</p> <p>2) Strengthen the assessment process by hiring an assessment specialist for each One-Stop Center.</p> <p>3) Upgrade fiscal tracking system to track voucher obligations and expenditures.</p>	<p>1) Given the local job market, has had difficulty hiring a consumer reports specialist, which is delaying its development of the local consumer report system.</p> <p>2) Has had difficulty hiring all the assessment specialists that it intended, but has compensated by having those that were hired rotate across Centers.</p> <p>3) Has purchased the fiscal tracking system.</p>	<p>\$500,000. Major line items are:</p> <ul style="list-style-type: none"> ■ Personnel and fringes (career counselors, consumer reports specialist, data base manager) \$424,500 ■ Equipment (for fiscal and customer tracking system and assessment tools) \$25,500
Indianapolis PIC	<p>1) Implement an enhanced consumer reporting system.</p> <p>2) Explore alternative local ITA policies (each local area will try an alternative).</p> <p>3) Develop a staff training curriculum.</p> <p>4) Share results nationally and regionally.</p> <p>5) Collect information on customer satisfaction.</p>	<p>1) Implementation of enhanced CRS is proceeding but has been delayed somewhat.</p> <p>2) Implementation of local policies is proceeding.</p> <p>3) Staff training tools have been developed.</p> <p>4) Presentations have been made to share results.</p> <p>5) Customer satisfaction data are being compiled.</p>	<p>\$497,500. Major line items are:</p> <ul style="list-style-type: none"> ■ Personnel and fringes \$330,000 ■ Supplies \$52,000 ■ ITA vouchers (to provide ITAs to customers who are deemed to be making poor training choices) \$30,000 ■ Consultant (develop materials for staff training) \$38,000
Macomb/St Clair Workforce Development Board	<p>1) Establish agreement regarding ITA and ETP policies and systems among the seven local workforce areas in southeastern MI.</p> <p>2) Develop a computerized information system, for use in the region.</p>	<p>1) Groundwork has been laid in identifying regional variation, but agreement on common policies has not yet been reached.</p> <p>2) The development of the local information system is in abeyance, because rapid progress on the state system may have obviated its need.</p>	<p>\$431,665. Major line items are:</p> <ul style="list-style-type: none"> ■ Personnel and fringes \$197,400 ■ Contractual (responsible for coordination, final product development, staff training, computer design) \$209,800

Exhibit II-1 (continued)

Grantee	Primary Objectives of Grant	Progress at Time of Site Visit	Budget
Grantees that are Local Areas			
Metro Portland worksystems	1) Develop uniform guidelines and policies and provide TA to the One-Stop Centers in worksystems. 2) Develop a cost-benefit matrix for use by counselors, and conduct ROI analysis. 3) Incubate Individual Learning Accounts with local employers.	1) Has made substantial progress in developing uniform policies and providing TA to Centers. 2) Abandoned plans for cost-benefit matrix and ROI analysis. 3) Has had success in incubating Learning Accounts; thus far, four employers are participating.	\$500,000. Major line items are: ■ Personnel and fringes (project lead, project assistant) \$97,000 ■ Contractual (develop consumer report system, develop cost-benefit matrix, conduct ROI analysis) \$181,600 ■ Training Stipends \$100,000
Southeast Los Angeles County (SELACO)	1) Modify a curriculum used in CMA in which prospective ITA holders participate in a 2-week group workshop. 2) Develop a matrix with information on local areas vendor performance (to be used given that state CRS is delayed).	1) The curriculum has been developed and three group workshops have been conducted; however, there have thus far been fewer trainees than expected. 2) Have developed the local area vendor performance matrix.	\$500,000. Major line items are: ■ Personnel and fringes (project coordinator, 2.5 placement specialists, evaluator, computer support) \$394,400 ■ M&S (occupancy, equipment, supplies) \$97,800
Southwest CT (The Workplace)	1) Create local eligible provider list, to be used given that state CRS is not yet ready. 2) Develop ITA policies and processes. 3) Market to vendors; review applications.	1) Grappling with the usual difficulties in measuring vendor performance. 2) Have made substantial progress in developing ITA policies and processes. 3) Have devoted substantial effort to reviewing vendor applications for eligibility.	\$500,000. Major line items are: ■ Personnel and fringes (2 career counselors, project manager, service provider monitor) \$405,500 ■ Contractual (database software, capacity building) \$38,500
Grantees that are States			
Georgia Department of Labor	1) Develop an ETP list and CRS and integrate with state MIS. 2) Develop state and model local ITA policies based on CMA model used in metro Atlanta; adapt and test in a rural area (e.g., distance learning).	1) Development of the state ETP list and CRS is underway. 2) State policies, a draft technical assistance guide, and model local policies have been prepared.	\$500,000. Major line items are: ■ Personnel and fringes (project manager, tech support, survey specialist, training, fiscal) \$203,000 ■ Contractual (data base systems management, staff training specialist) \$176,000 ■ Equipment (mainframe upgrade, demo kiosks) \$39,500

Exhibit II-1 (continued)

Grantee	Primary Objectives of Grant	Progress at Time of Site Visit	Budget
Missouri Division of Workforce Development	<p>1) Develop and implement the consumer report system.</p> <p>2) Add a "comparative shopping cart" feature to existing state ETP list.</p> <p>3) Create a system to allow customers to track ITA balances.</p> <p>4) Develop a live web-based staff training system.</p> <p>6) Develop a web-based customer feedback system</p>	<p>Work is proceeding on all components of the state's grant plan.</p>	<p>\$500,000. Major line items are:</p> <ul style="list-style-type: none"> ■ Personnel and fringes \$60,000 ■ Contractual \$420,000 (enhance web consumer report system, develop tracking system, develop staff web-based training and web-based satisfaction survey)
Nebraska Department of Labor	<p>1) Build a comprehensive consumer report system and ITA policies.</p> <p>2) Develop high quality LMI.</p> <p>3) Develop ETP list in Spanish.</p> <p>4) Provide staff training.</p>	<p>1) Work is proceeding on building the CRS and ITA policies.</p> <p>2) Efforts to develop LMI are proceeding.</p> <p>3) Efforts to develop Spanish-language ETP systems have been on hold.</p> <p>4) Some staff training has occurred and additional efforts are planned.</p>	<p>\$444,000. Major line items are:</p> <ul style="list-style-type: none"> ■ Personnel and fringes \$186,000 ■ Contractual \$170,000 ■ Training stipends \$50,000
North Carolina Workforce Development Commission	<p>The major objective was to create NC STARS, a fully automated system with modules that include:</p> <p>1) An ETP database, allowing for vendors to submit online applications and with programs crosswalked with occupations,</p> <p>2) A provider approval system showing programs approved by each local area,</p> <p>3) A Consumer Report System w/ vendor performance data,</p> <p>4) Info from customer feedback</p> <p>Additionally, this grantee wants to:</p> <p>5) Use 3-5 local areas to pilot different ITA policies and procedures.</p>	<p>Although refining NC STARS is viewed as an ongoing process, substantial progress has been made to date in the development of this system</p> <p>1) The ETP module is largely complete,</p> <p>2) The local approval system has been developed and is being refined,</p> <p>3) The vendor performance subsystem has been developed, though performance data are sparse,</p> <p>4) Customers can provide feedback to the webmaster.</p> <p>5) The grantee abandoned plans to pilot different ITA policies and procedures.</p>	<p>\$500,000. Major line items are:</p> <ul style="list-style-type: none"> ■ Personnel and fringes \$ 72,000 ■ Contractual \$360,000 (system development)

Exhibit II-1 (continued)

Grantee	Primary Objectives of Grant	Progress at Time of Site Visit	Budget
Grantees that are States			
Ohio Bureau of Employment Services	<ol style="list-style-type: none"> 1) Provide "triage" training for staff. 2) Conduct public forums. 3) Test various ITA payment mechanisms. 4) Develop electronic vendor application process. 5) Conduct an environmental scan to poll local areas on their policies. 	<ol style="list-style-type: none"> 1) Training is underway. 2) Public forms should be conducted on schedule. 3) Planning for alternative payments are underway 4) Electronic application has been delayed until year 2. 5) Plans for scan are underway but are meeting with some local area resistance. 	<p>\$500,000. Major line items are:</p> <ul style="list-style-type: none"> ■ Personnel and fringes \$342,000 (at state: project coordinator; at local level: project director, two career planners, clerical) ■ Consultants \$30,000 (technology consultant, survey consultant)
Pennsylvania Department of Labor and Industry	<ol style="list-style-type: none"> 1) Develop a web-based statewide ETP list and a consumer report system, as part of a larger One-Stop operating system. 2) Provide training to staff. 3) Develop an ITA manual for participants and a code of ethics for vendors. 4) Develop a system to include employer in-house training as part of the ITA system. 5) Allow trainees to post messages on the web about their training. 6) Develop a system to allow a variety of organizations seeking training services to pool their requests, as a way of negotiating better rates. 	<ol style="list-style-type: none"> 1) Electronic components are under development. The ETP list was fully electronic. 2) Training has been provided; on-line resources are available. 3) Code of ethics is approaching draft form. 4) Development of system to include in-house employer training is underway. 5) Limited progress on messaging system thus far. 6) Development of system to allow seekers of training to pool requests is underway. 	<p>\$500,000. Major line items are:</p> <ul style="list-style-type: none"> ■ Personnel and fringes \$153,000 (staff to develop policies for capacity building, provide grant oversight) ■ Contractual \$333,000 (for 5 LWIA pilot sites; vendor to develop online vendor application system)
Texas Workforce Commission	<ol style="list-style-type: none"> 1) Enhance and automate the State Training Provider Certification System, to allow for automation of applications for eligibility. 2) Develop an automated system to track ITAs and expenditures. 	<ol style="list-style-type: none"> 1) A prototype of TPCS has been developed. 2) A prototype of the tracking system has been developed. 	<p>\$500,000. Major line items are:</p> <ul style="list-style-type: none"> ■ Personnel and fringes \$142,000 ■ Contractual \$309,500 (for TPCS: \$215,500; for ITA tracking: \$94,000)

Note: Objectives of the grant are as specified in the grant application and updated as of the site visit. Progress in carrying out the grant reflects status at the time site visits were conducted. The budget column identifies the budgeted request as of the grant application, with a breakdown of how the bulk of those funds were expected to be spent.

III. CUSTOMERS' USE OF THE ITA

WIA has set forth a new vision for services to customers. Instead of strictly targeting dislocated and disadvantaged workers as JTPA did, the new law seeks to make employment and training services available to the entire labor force. Moreover, unlike JTPA, where training was the expected service for most participants, WIA permits training only if job seekers are unsuccessful in the core and intensive services. This movement through the levels of service is substantially regulated by federal, state, and local policies. However, once an individual is approved for training, a less regulated more market-based approach is promoted, in that WIA participants become customers who should have a great deal of latitude in selecting the training program and vendor that they think will best suit their needs. This choice is to be supported by staff resources and information on labor markets and vendor performance.

This chapter discusses how these processes operate in the ITA/ETP sites we visited. It begins with a discussion of the emphasis that sites placed on training in general, and ITAs in particular. We use this as a departure point to explore how customers actually access and use ITAs at the local level. We delineate the requirements governing the path and actual services that job seekers use during core and intensive services on their way to training and an ITA, and detail the ITA decision-making process of choosing training occupations and vendors. The chapter then considers the services that One-Stop centers provide to ITA holders during and after training, and looks at how One-Stop centers coordinate the ITA with funding from other sources.

In examining these issues, we note that, although WIA provides substantial opportunity for states to develop rules and policies affecting the use of ITAs, state administrative agencies generally defer to LWIAs almost entirely on customer-service issues. This approach reflects a deliberate state deference to local responsibility for the shape and conduct of participant services.

EMPHASIS ON TRAINING AND ITAS

Customer access to and use of ITAs is determined by a number of important systematic factors that affect the emphasis that Local Boards in the demonstration sites place on training in general and ITAs in particular. We look at this issue through the prism of local policies and funding levels for training and explore how the local sites

balance ITAs against other forms of training. Exhibit III-1 summarizes some of our findings.

Emphasis on Training in General

Whether a local site has a strong interest in raising the skill levels of a small number of people through training or assisting a large number through job search and other less costly services reflects a long-running debate in the employment and training community. The lack of consensus on this issue was reflected as well among the sites we visited. Thus, some avowed the intent to continue high levels of funding for training, and expected to spend 50% or more of their total WIA allocation for adults and dislocated workers for this purpose. Others anticipate much more modest funding levels, with some anticipating spending less than 20% of their funds for training.

Among the factors that entered into their decision on this issue was how to balance WIA's emphasis on using training as a "last resort," with the sites' traditional focus on providing job training to meet the needs of the disadvantaged. At the one extreme, four of the state grantees indicated that they are actively pursuing a work-first policy, or are otherwise emphasizing core and intensive services. In those states, the local response is consistent with the state emphasis, and many fewer people are being placed in training than was the case under JTPA. By contrast, other states and local areas maintain a strong interest in training. They are able to take customers with an evident need for occupational skills and move them promptly through core and intensive services and into training. These sites are planning to train about as many participants as they did under JTPA. Southwest Connecticut, for example, indicated that it has a strong commitment to training, because training is the service that its participants have always needed. Baltimore and metro Portland also sought to keep their levels of training high, based on what they saw as the primary needs of their communities.

The availability of funds for training was another chief consideration. Many of our local sites reported that they have much less money to spend on training than they once did, in part because of the WIA requirement to establish a One-Stop system and three levels of service, including core services for the entire labor force. Given this requirement, several states noted that there was not enough money to provide good quality core and intensive services and still have funds available for training. In the case of Texas, this funding limitation disappointed local officials who felt that the higher level of training under JTPA made their program successful. For example, Golden Crescent staff indicated that, after paying for a One-Stop infrastructure

Exhibit III-1
Emphasis on ITA and Other Training

Local Area (Grantee)	Emphasis on Training	Use of Non-ITA Training
Baltimore OED	Planned 50% of WIA funds to be spent on training	Strong interest in OJT, class-size, and customized training
Indianapolis PIC	Trying to maintain level of training under JTPA	Very little OJT or other contract training
Tecumseh Area Partnership (Indianapolis PIC)	Planned 40% of WIA funds to be spent on training	Very little OJT or other contract training
Macomb/St. Clair Workforce Development Board	Planned one-third of WIA funds to be spent on training	Some customized training and OJT are planned
Metro Portland worksystems	Trying to maintain level of training under JTPA	Emphasis on literacy and computer skills in intensive services
Southeast Los Angeles County	Training expected to be lower than under JTPA because of strong labor market	Extensive use of OJT and customized training
Southwest Connecticut	Strong commitment to training, although fears resources will be limited	Very little use of OJT
Areas covered by the Metro Atlanta Regional Comm. (Georgia Dept of Labor)	Each One-Stop center has a training budget	Some class-size contracts for certain high volume occupations, retaining customer choice
West Central/Sedalia (MO Workforce Development)	Strong emphasis on core and intensive	Some use of OJT and customized training
Greater Lincoln (Nebraska Dept of Labor)	Planned 50% of WIA funds to be spent on training	ITA is sole source of training
Capital Area/Raleigh (North Carolina Workforce Development)	Strong emphasis on core and intensive	No plans to use OJT or customized training.
Cincinnati (Ohio Bureau of Employment Services)	Less WIA-funded training expected than under JTPA, but more training overall because of One-Stop partners	Reduced use of OJT under WIA Emphasis on literacy and computer skills in intensive services

Exhibit III-1 (concluded)		
Local Area (Grantee)	Emphasis on Training	Use of Non-ITA Training
Three Rivers Workforce Board (Pennsylvania Dept of Labor and Industry)	Statewide work-first emphasis and limited resources; reduced emphasis on training	Some class-size contracts for certain high volume occupations while retaining customer choice; very little OJT
Golden Crescent (Texas Workforce Commission)	Limited resources; reduced emphasis on training	Very little OJT; emphasis on literacy and computer skills in intensive services
Heart of Texas (Texas Workforce Commission)	Limited resources; reduced emphasis on training	Very little OJT; emphasis on literacy and computer skills in intensive services
Note: The first column lists the local area we visited (with the name of the ITA/ETP grantee in parentheses, if different from the local area).		

and computer systems, little was left for training. Officials in another state pointed out that establishing the One-Stop system imposes a substantial financial burden on the LWIAs. A local area's executive director confirmed the state's observation, noting that maintaining the One-Stop system drains WIA funds because other partners are not contributing a fair share of the infrastructure costs. By contrast, other sites are able to maintain ample funds for training even after they had incurred One-Stop costs, partly because of deliberate decisions about their local priorities and their prior progress in One-Stop system building (e.g., using DOL One-Stop implementation funds), and because other partners (such as the Employment Service) are contributing substantially to funding core services. Thus, Baltimore and the Greater Lincoln LWIAs are planning to spend 50% of their funds on training, while Indianapolis has earmarked 40% for this purpose.

Another factor that seemed to be important and led to a decreased emphasis on training in many sites was the strong economy. LWIAs that see employers as their primary customers want to get jobseekers employed as quickly as possible. These LWIAs frequently have jobs readily available that can be filled with no training or with in-house skill building on some basic business software applications through intensive services. Similarly, the demand for workers is so strong in its labor market that the Three Rivers Local Board, even when it provides training, is looking for very short-term interventions. Tight labor markets also reduce the demand for training from job seekers.

For example, SELACO, which intended to spend as much on training in its first year of WIA operations as it did under JTPA, finds that it is spending less than expected because of low demand for training by job seekers.

ITA versus non-ITA Training

Once local areas make a commitment to training as a service, they still have some options to use other forms of training besides the ITA. WIA (Section 134d4G) permits LWIAs to use customized training and on-the-job-training (OJT) and otherwise to establish contracts for training if there is an insufficient number of providers to establish the competitive training market that an ITA system envisions, or to fund community-based or other private organizations to serve participants with multiple barriers to employment.¹

In general, most of the demonstration sites made little use of these contractual training alternatives. A number of state respondents reported that OJTs, which had been sharply regulated since the 1992 JTPA Amendments, were not commonly used in many local areas in their states. Nor was there much use of customized or other forms of contract training. Only two local sites stand out as exceptions. Baltimore noted that a substantial portion of its funds are earmarked for non-ITA training, including employer-based customized training, OJT, and contract training for participants with barriers to employment. SELACO reported that it also planned for a substantial amount of contract training (although the strong economy has reduced the demand for its contract training as well as for ITAs). These sites felt that customized training had an important role to play because its unit cost was often substantially cheaper than an ITA and because the training could be easily tailored to meet the needs of trainees of particular types.

ESTABLISHING CUSTOMER ACCESS TO ITAS

Since WIA limits training to those who are unable to find a job that will provide for self-sufficiency, customers who receive an ITA must have gone through at least one core and intensive service. The local sites vary a good deal in the requirements establishing eligibility, movement through the three service levels, and the methods of delivering services. In many cases, what happens to a participant in these earlier levels of service has a direct bearing on the course of the individual's ITA.

¹ However, even providers funded through contracts must meet performance requirements established by the Local Board.

Customer Flow through Core Services

All the sites follow the statutory requirement that a customer must receive at least one core service before moving on to intensive services. Some of those sites, however, either specify a particular core service that a customer must use or establish their process so that a customer would almost certainly pass through that service. There was quite a bit of variation in what those services consist of and how comprehensive they are. For example, in Greater Lincoln, where ITAs are quite accessible, the core service could be the One-Stop orientation. In another, a customer must go through only the initial assessment. In Baltimore, a customer would typically begin by registering with the Employment Service job matching system. If a match occurs, the customer would receive a referral, but otherwise is scheduled to meet with a case manager who would help the customer to refine the job matching criteria and use self-assessment tools. At the other end of the spectrum, one site requires multiple core services and is very specific about their content. To advance to intensive services, customers generally must:

- Attend the One-Stop orientation.
- Take the core assessment.
- Register with the Employment Service job matching system
- Attend two job search workshops.
- Apply for six jobs without an interview or attend three interviews without receiving a job offer.

Needless to say, this site does not send a high percentage of people who start in core services on to training.

Most of the sites we visited applied the same requirements for core services to adults and dislocated workers. As the basis for this, a case manager at one of the Atlanta Regional local sites did not believe that there were sharp distinctions between adults, who were mostly low-income or on welfare, and dislocated workers. She sees each group as overlapping on a continuum, with some low-income adults as vocationally ready as some lower-skilled dislocated workers. The major difference she noted was that low-income customers often required somewhat more staff resources because they tended to be less sure of what they wanted to do.

On the other hand, a few sites had a completely different approach for each group. At Southwest Connecticut, for example, dislocated workers are ushered into the resource room and encouraged to sign up for job search workshops; at the end of the workshop series, they conduct a self-assessment and work on a resume and only then will meet a

case manager in a one-on-one session. By contrast, low-income adults are encouraged to sign up for membership in the One-Stop center and meet with the membership coordinator who probes for basic information, including whether the customer has an interest in training. Those who have such an interest and meet other priority-group criteria meet with a case manager that first day, so that counseling and basic skills and other assessments can begin. The local area staff had previously found that, without this extra staff assistance, low-income adults and welfare recipients were not successfully navigating through the One-Stop's self-service activities.

Regardless of the general approach, however, all the demonstration sites, including those that had a more rigorous set of required core services, indicated that guidelines were not meant to be followed rigidly. In fact, all the sites emphasized their flexibility and that they treated all customers individually according to their needs. Thus, staff endeavor to quickly identify people who were demonstrably in need of more intensive services or those who may have been referred by another One-Stop partner and could assert or present evidence that they had used core services elsewhere.

Because of this flexibility, there was extremely wide variation in the length of time that customers would spend in core services, even within a given center. Thus, many of our respondents were quick to note that customers who were evidently in need of more staff assistance could move from core to intensive services very quickly, potentially even within a single day. On the other hand, customers who appeared to have marketable skills might spend several weeks in core services, or even longer, while engaged in job search.

Clearly, then, the staff's ability to identify a low-skill customer for whom job search is likely to be futile is critical to shortening the period in core services. The customers' own motivations and preferences can be important as well. Thus, several case managers indicated that customers who knew they wanted and needed training could be moved through core services quite quickly. In one site, for example, where core and intensive combined ranged from three days to three weeks, the duration was largely determined by how quickly the customer wanted to schedule case management and counseling sessions.

This substantial within-site variation notwithstanding, site-to-site differences were also important, including each site's general propensity to use training. As noted earlier in this chapter, some sites are deeply committed to providing more training to customers,

and in these sites customers are moved along to intensive services more quickly than elsewhere, on average. By contrast, other sites are strongly committed to exhausting all possibilities that customers could be employable with their existing skill sets, leading to durations that are usually longer. For example, at one site we observed two dislocated workers who were still in core services after several weeks, even though they expressed a strong interest in computer-related training. Although these individuals were interested in training that would lead to careers that offered excellent employment prospects and high wages, this LWIA required customers to fully work through a job search before they would be determined eligible for an ITA. Paradoxically, in some sites with a strong commitment to training, discussions related to ITA decision-making, such as occupation or vendor choice, may occur during core services, having the effect of increasing the duration of core services (although they should reduce the amount of time for ITA decision-making).

Another important element of each center's own policies that to some degree was related to the average time that customers spent in core services was how much the center was inclined to emphasize self-service as opposed to staff-assisted core services. We observed two general approaches: sites that emphasize self-services and sites whose staff intervene with customers almost immediately. Among the sites that emphasize self-services, participants enter a resource room to register with the Employment Service and use on-line job search systems and computerized assessment and resume tools. Typically, they use these tools on their own, and the principal staff function is to help people in their use. In these centers, staff move about the resource room to see if anyone is having trouble with the equipment or software or otherwise needs help, but otherwise let customers alone. As a consequence, in this and similar sites, many customers may have relatively little contact with staff, especially if they are familiar with computerized information tools or are otherwise computer-savvy.

Some sites, on the other hand, use a staff-intervention approach, with case managers sometimes offering assistance as soon as a job seeker comes into the One-Stop center. In Cincinnati, a customer meets a staff member immediately and moves into some form of staff-assisted core services. In Baltimore, a series of staff members "facilitate" a customer's use of core services. Many sites combine both approaches, as in the Atlanta Regional local areas. In their One-Stop centers, self-service was the norm after an orientation, but anyone requesting staff assistance was immediately assigned to a case manager.

Among those sites where the customer is already working with a staff member, it is easy to determine whether the core job search is unsuccessful. In sites where there may not be a staff member who is monitoring progress, One-Stop centers may require customers to document an unsuccessful job search, which might include a list of job contacts an Unemployment Insurance claimant may have submitted to support a continuing claim.

Customer Flow through Intensive Services

In keeping with the legislation (WIA Section 134d3A), customers are eligible for intensive services only if they are unemployed and unable to obtain employment through core services or are employed but are in need of intensive services to attain self-sufficiency. All the One-Stop centers we visited follow these statutory requirements. With respect to those already employed, the law does not set a specific means test for self-sufficiency, theoretically allowing LWIAs to provide intensive services to any adult. However, most Local Boards set their own definitions for employed adults at quite low levels, effectively barring services to those who are not low-income. The most common standard is the lower of the poverty level or 70% of the Lower Living Standard Income Level, which is the federal means test for low-income adult status. A few local areas peg their self-sufficiency level somewhat higher, such as at the Lower Living Standard Income Level, allowing more adults to qualify for these services. For dislocated workers a common standard is 100% of the worker's wage at dislocation. Another Local Board, Three Rivers, sets self-sufficiency at 93% of the dislocation wage, a standard that excludes more dislocated workers. That board, however, was considering a substantial increase in the definition of adult self-sufficiency to equal a "living wage," which might be in the \$8-\$10 range.

Closely linked to self-sufficiency is the legislation's stipulation (WIA Section 134d4E) that, within the adult program, priority for intensive and training services should be given to those who are low-income adults or are welfare recipients when funds are limited. Local Boards must establish their own priority policies. Most of our sites formally declared a funding shortage at the beginning of the program year to ensure priority for the economically disadvantaged. Several also adopted additional priority criteria. For example, the Missouri West Central local area gives higher priority to people with the greatest number of barriers to employment. One site uses a geographic emphasis, giving priority to residents of its Enterprise Zone. Four local sites make

veterans a priority group. Another site establishes priority for those who lack any work experience, lack relevant work experience, or have the least education.

Many local boards provide exemptions to their priority policies to permit intensive and training services to adults who are not low-income and may not fall into any of the other priority groups that were established. Thus, even where funding shortages were declared, case-managers are often authorized to exercise their discretion to approve intensive or training services for some participants outside the priority groups. Two other sites indicated that they did not face a funding shortage at the time of the site visit, so priority was not established for low-income or welfare adults. With so few customers unable to find employment through core services, they were able to train any individual who was otherwise eligible, despite their priority policy.

With respect to the content of intensive services, all the local sites we visited require a full assessment and completion of an individual employment plan. Most also offer the normal menu of intensive services as specified in the legislation, including basic skills training, brush-up skills on computers and basic office software, as well as individualized job search assistance. But sites differ considerably in the way they implement their designs, often according to the emphasis they placed on training.

In sites with less of an emphasis on training (see Exhibit III-1), job search is often the focal point. These sites tend to send only a small portion of their intensive-service participants on to training and then only after a period of concerted job searching. Among the common reasons given for this approach are to meet the demands of local employers, limited funding for training, and the statutory requirement that training occur only after intensive services are unsuccessful in helping the participant to find a job. In these sites, the assessment and individual employment plan focus on expanding the job search rather than increasing the customers' skill level. In one site, for example, the first intensive service is a conversation between a case manager and participant to analyze why the job search in core services was unsuccessful. The customer then receives assessment and is routed into particular job search workshops to address any shortcomings of the earlier job search strategy.

By contrast, in nearly half of the local sites a large percentage of participants in intensive services eventually go on to training. Consequently, in these sites intensive services revolve around planning for training, which in most cases is the ITA. The assessment and individual employment plan typically identify an appropriate training

occupation and vendor. For example, in both Greater Lincoln and Greater Omaha the staff had already identified those people who needed and wanted training before moving them into intensive services. For such individuals, the assessment and individual employment plan developed as part of intensive services focus on training decisions. Similarly, in Allegheny County the individual employment plan identifies the skills and courses the customer needs to achieve a career goal.

Still other sites have expanded the menu of intensive services considerably, at least partly to ensure that short-term skill building can be accomplished without the need for training services. For example, one site emphasizes how much richer its intensive services became when it brought basic skills, computer literacy, and common business software applications into its intensive service menu. These enriched services enable many customers to address their skill deficits and find a job within intensive services; thus, relatively few are going on to training.

Movement from Intensive Services to Training and ITA

Most of the sites reported that they do not add any additional criteria to the basic statutory requirement that customers should only move to training if they are unable to find a self-sufficient job through intensive services and have the skills to succeed in training. Still, while not modifying the qualifying requirements, some sites interpret them very narrowly, making a very careful review for evidence that a customer has any transferable skills. For example, in one site staff indicated that they are cautious in approving training in order to avoid mistakes; thus, even though one-third of the local area's budget had been set aside for training, only three customers (out of approximately 75 enrollees) had been issued an ITA at the time of our site visit.

Other sites seem readier to move an individual to training, while still providing a rigorous set of intensive services. For example, in Southwest Connecticut the decision to train is made while the individual employment plan is being developed, but after efforts have been made to identify and address obstacles to employment such as poor interviewing skills or lack of good labor market information.

CHOOSING TRAINING OCCUPATIONS AND VENDORS

Once customers have been determined eligible for training services, they confront a key issue in the ITA/ETP system: how One-Stop staff and procedures can help them make good choices. These choices need to be agreeable and beneficial to customers and contribute to the favorable outcomes for which Local Boards and states are held

accountable. In this section, we explore the heart of the ITA system by discussing the resources and processes that LWIAs use to effectuate choice.² We look at several models of customer choice, the processes used to make selections and approvals, and the impact that vendors have on decision-making.

Types of Customer Choice

The essence of customer choice is present in all the sites we visited, in that customers are typically choosing occupations and vendors that they want. We saw no evidence that customers are being placed in classes contrary to their preferences because the LWIA had negotiated a contract and needed to fill training slots.³ These findings suggest that there has been substantial progress in the sites we visited in reaching one of the key statutory objectives of the ITA system.

The real variation among sites occurs in the way choices are made rather than whether there is choice at all. To help explain these variations we have posited three models of customer choice that reflect the broad middle and the outer bounds of how decisions are made in the ITA system at the sites we visited.⁴ We call these variants informed choice, directed choice, and free choice.

Informed Choice. In the informed choice model, which constitutes the broad middle ground, the One-Stop centers provide information and assistance and develop procedures that lead customers to make wise choices on their own. We found an overwhelming preference among the One-Stop centers we visited for this model. Throughout these sites, our respondents consistently described customers as making choices based on good labor market information, a realistic assessment of their abilities, and some knowledge of the training programs and their performance. Most of the key system components to support this type of decision-making are already present. All the states have labor market information systems available, typically allowing online access

² As we noted in our discussion of intensive services above, some of these decisions actually take place during intensive services.

³ Two sites in large metropolitan areas reported that they retained class-size contracts for certain occupations for use by ITA holders. Staff indicated that these contracts were for high volume training occupations such as certain computer network engineers or various medical specialists and technicians, and were only used for customers who clearly expressed a preference.

⁴ Our colleagues at Mathematica Policy Research developed these three models for the experimental evaluation of ITA outcomes described in Chapter I.

in searchable formats. Assessments are required and conducted using the vocational counseling industry's standard tools. Some local areas use certified counselors, either in-house or under contract. In addition, information about the training programs and vendors comes from the eligible provider lists that are mostly now available online. Case managers also frequently supplement the information available from the ETP list with their personal knowledge of vendor capabilities.⁵ In general, we found that, when customers had good ideas based on sound labor market information, staff were likely to provide a wide scope for free choice. Overwhelmingly, then, our interviews and observations of counseling sessions suggested that the customer is the real decision-maker. As one case manager in Southwest Connecticut noted, "We have to respect the customers' knowledge of themselves (because, ultimately) they are the ones who have to show up (for the training)."

Nonetheless, front-line staff play a key role in guiding or facilitating choices. Case managers consistently describe themselves as guides, facilitators, or information brokers, and one site even includes the term "facilitator" in all the job titles for its front-line staff. Case managers thus clearly play a pivotal role in ensuring that the customer's choice is actually informed by good information. The role generally appears to be a real compromise between expertise and facilitation. One case manager in the Atlanta area describes this balancing role in working with a customer who may be making a poor decision as follows (below is a paraphrase):

We work extensively with customers to persuade them about which vendor would be suitable, in terms of the curriculum, pedagogical approach, and the types of ancillary services available at the school. However, if a customer insists on choosing a particular vendor—even if we think there is a more suitable vendor—we normally approve the request, but remind the customer that there will be no second chance (at further training).

Consistent with the facilitative role, several sites substantially increased the level of responsibility for front-line staff when compared with their roles before a voucher system was introduced. Thus, for example, administrators in Baltimore noted that their front-line staff were no longer the "paper pushers" they had been under JTPA, but are now empowered to work with customers to respond to their unique needs.

⁵ At the time of the site visits, only two of the states had consumer report systems operational, with vendor performance information available. Thus, case managers' knowledge of different vendors and their performance might have been used more heavily than might otherwise have been the case.

Directed Choice. Directed choice provides the same types of labor market and vendor information to the customer, but in this model staff must work especially hard to ensure that the customer makes a decision that is heavily influenced by the staff's professional judgment. Only two sites appear to be practicing directed choice for all their customers. In these sites, case managers try to control the terms of the decision-making to a greater degree than in the informed choice sites. Staff work to convince customers that their professional judgment is preferable to the vagaries of the customer's less informed judgment. They may be very blunt in suggesting to their customers what program to select and where they should go to school. By way of justification, an administrator in one site noted that "people do not always know what is best for them."

Under some circumstances a directed choice model is also used in centers that generally practice informed choice. For example, one case manager who worked mostly with current or former welfare recipients indicated that many of her customers did not readily understand how to use the decision-making tools or how to interpret their output, so she has to take a much more directive role than she otherwise would. Elsewhere, case managers often play a key role in dissuading customers from their choices when they come into the center with ill-informed training ideas—occupations with poor prospects for self-sufficiency or vendors ill-suited to their learning styles. The high level of staff intervention with such customers effectively reduces the scope of independent decision-making that is available to most others.

Free Choice. In a free choice model, customers can access labor market data, vendor information, and assessment tools at their discretion, but are generally left free to make their own training choices (so long as the program of study is for a demand occupation and the vendor is on the eligible provider list). While no sites use a standard free-choice model exclusively, it does occur quite frequently for customers who know exactly what they want before they come into the One-Stop center. These customers often have very specific training plans with an occupation and a vendor already picked out at the outset. Where the soundness of plans can be confirmed based on good labor market information, the vendor's suitability, and a realistic assessment of the individual's own capabilities, these customers typically get their choice with a minimum of staff intervention.

Process Used in Making Choices

In addition to requiring assessment, providing access to labor market information, and offering professional guidance and facilitation by staff, many of the sites created

processes that also help customers make a better-informed choice. Indeed, some of these processes, which include workshops and participant research, represent the means by which informed choice is ensured. In addition, a formal approval process is sometimes used, as a way of ensuring that decisions are justifiable and to benefit the administration of the LWIA by assuring that ITA funds are being spent wisely.

Workshops. Several sites use workshops as an important tool in assisting customers in making choices. For example, Baltimore uses a training workshop for all customers going on to training. Within that workshop customers learn about their training alternatives such as ITA, OJT, or customized training. If they choose the ITA method, they attend an ITA workshop, which helps them to prepare their application for an ITA that identifies and justifies their selection. Similarly, Southwest Connecticut also uses a workshop to prepare customers to conduct active research and teach them how to interpret performance information. In a very different approach, SELACO uses a two-week, peer-managed workshop where customers work together in a team to help each other to select appropriate programs of study and vendors.

Participant Research. A key part of informed choice is to have customers research their intended field of study. Most of the demonstration sites implement this by specifically requiring or encouraging customers to conduct field research on both training occupations and vendors. This typically involves having customers visit vendors to talk with staff and observe the facilities. Several also add a requirement that customers must either talk with current or former students of the program, interview employers who would potentially hire trainees in that occupation, or both. For example, the Pittsburgh One-Stop center requires its ITA candidates to interview at least two schools, two students who had completed the program, and two potential employers. The case manager at another site noted that her LWIA's research requirement was very effective in "bringing back to earth" participants who had come in with poorly thought out ideas. Some case managers also felt participant research increased the participant's commitment to the eventual choice, and enhanced the case manager's knowledge base.

Approval Process. Several sites make a formal approval process a part of an effort to promote informed choice, while also serving as a means to assure LWIA management that customers are making defensible training decisions. In sites that have such a process, potential trainees must submit a formal application or make a presentation before a review panel with the authority to approve the ITA. For example, Baltimore's approval process is as follows:

In Baltimore, prospective trainees must prepare a written justification for their ITA, including reasons for wanting the training, evidence that the training is for a demand occupation and that the individual has the skills needed to successfully complete the training, and a record of research that the participant is required to undertake, including from interviews with vendors, former trainees, and employers. Prospective trainees then present this justification to a panel of the city's One-Stop center directors who are authorized to approve the ITA. Those whose application is deemed incomplete or unsatisfactory must conduct additional research and prepare a new application, with the assistance of the case manager, until the review panel is convinced that the choice is a wise one.

Similarly, Golden Crescent has its participants present an oral proposal to an ITA committee justifying the career and vendor choices and identifying expected outcomes in placement and wages, barriers to completing the training, and a financial plan that demonstrates that training and living expenses can be met.

Local areas in one grantee state, Pennsylvania, are also creating additional decision-making tools to assist customer in making better quality decisions. Philadelphia is developing a written customer manual for its ITA process that lays out the participant rights and responsibilities that underlay an informed choice. The manual will be available to other Pennsylvania local areas to customize according to their own procedures. Another local area is supporting an Internet start-up company that will provide an Internet messaging site on which trainees could post comments on their training providers, including prerequisites, curriculum, and instructor quality.

Staff Training and Organization to Support Decision-Making

Because case managers ostensibly assume new responsibilities under the various ITA models, one might expect a substantial need for staff training and capacity building. In fact, several of the grantees proposed grant activities related to staff training. Overall, however, we found that relatively little formal training on ITA systems or the case manager's ITA role had yet occurred. Respondents suggested two reasons for this. First, because many of the sites were already using some form of vouchering under JTPA, the beginning of the ITA system did not change the case manager's role much, if at all. No site indicated that it had to retrain its front-line staff systematically in order to provide its particular type of informed choice. Second, many sites are still gearing up for the ITA and have plans for training in the future once their automated systems are in place. For example, Georgia and North Carolina expect to provide training on their integrated career decision and eligible provider list/consumer report system once the systems are fully up and running with performance data.

The training that has occurred has been a mix of state-sponsored and local in-house training. For example, a number of sites, such as Indianapolis and Metro Portland, provided in-house training on their own ITA policies and procedures. Several other sites reported that there was some coverage of ITA rules and procedures in their general WIA training, either provided in-house, directly by state staff, or by the state training institute. Several sites provide training to help case managers play a generic facilitative role, because the sites are trying to embed facilitation in the entire range of customer relationships. The Baltimore One-Stop center, for example, wants staff to help customers to make decisions rather than to tell them about rules and procedures. The center uses role-playing to equip staff to handle specialized situations creatively. As part of its grant, it was also hiring assessment specialists who would not only work with customers, but provide guidance and training to other staff at the center. Similarly, the Three Rivers Local Board paid for facilitator training at a local university for any interested case managers.

Apart from capacity building, another key staffing issue as sites move to implement ITAs is how they organize staff to assist customers. We found two general approaches. Some centers use a single point of contact, while others rely on specialization. In the former approach, a single case manager stays with the customer throughout training, intensive, and staff-assisted core services. The advantage of this approach is that the case manager builds up knowledge of the customer and a personal relationship. Capital Area (Raleigh) and Golden Crescent are examples of One-Stop centers where the case managers build a personal rapport to aid in the decision-making, even though these two sites differ considerably in the way in which case managers provide information and the degree of influence over customer choice. Some sites that use a single case manager have specialized assessment units or contracts with outside firms for assessments. In the second approach, One-Stop centers use specialists on staff in working with customers. This approach enables case managers to develop greater expertise in the subjects to which they are dedicated. Baltimore has the clearest division of labor, with case managers who specialize in job search during core and intensive services, and others who focus on assessment and career planning. These staffing patterns and relationships cut across both the informed and directed choice models.

LIMITS ON CUSTOMER CHOICE THROUGH LOCAL POLICIES

Regardless of the customer-choice models that local sites selected, nearly all exercised their authority to set limits, predominantly to ensure that funds would be

available to support as many trainees as possible. The most common are limits on the ITA dollar amount, duration, and permitted uses of the funds. All sites also implicitly narrow choice by identifying occupations in demand in the local economy, for which training will be supported. Other types of limitations such as residency preferences or formal linkages to local economic development are uncommon. Some of these limits are summarized in Exhibit III-2.

Dollar and Time Limits. Nearly all of the sites set a dollar limit, or cap, on the total amount of money that a participant could receive for an ITA. Of the 18 local areas we visited, 16 use caps. The average cap among those 16 areas is about \$5,000, ranging from a low of \$1,700 to a high of \$10,000. Three sites provide authority for staff to authorize ITAs that are higher than the local cap, if special circumstances warrant. In setting their caps, two sites use their community college as a reference. For example, in Macomb-St. Clair the Local Board pegged the cap at the cost that the local community college charges. In North Carolina, the state requires that any cap be set above the cost of training at the community college in order to encourage competition in that state for a training market that is already dominated by community colleges.

Nearly all the local sites, including those with no cap, set a two-year duration on the ITA. Among the exceptions, one site limits its ITAs to one year, while another sets a monetary cap for one year but allows trainees to request a second year of training with the same dollar amount. Three sites have no limitation on duration, although one of those indicated that, in practice, most of their ITAs are for one year and there is a virtual two-year limit.

Exhibit III-2
Local Limits on Amount or Duration of ITA

Local Area (Grantee)	Dollar Cap	Duration Limit
Baltimore OED	\$7,000	1 year
Indianapolis PIC	\$2,500	2 years
Tecumseh Area Partnership (Indianapolis PIC)	None	2 years
Macomb/St. Clair Workforce Development Board	\$5,000	None
Metro Portland worksystems	None	None
Southeast Los Angeles County	\$5,500 (staff can justify amounts above the cap)	None (however, ITAs are rarely for more than 1 year)
Southwest Connecticut	\$3,000	1 year
Areas covered by the Metro Atlanta Regional Comm. (Georgia Dept of Labor)	\$8,000	2 years
West Central/Sedalia (MO Workforce Development)	\$1,700	2 years
Greater Lincoln (Nebraska Dept of Labor)	\$5,000	2 years
Greater Lincoln (Nebraska Dept of Labor)	\$4,000	2 years
Capital Area/Raleigh (North Carolina Workforce Develop- ment)	\$5,600 (State policy that ITA must exceed cost of training at community college)	2 years
Cincinnati (Ohio Bureau of Employment Services)	\$5,000	None
Three Rivers Workforce Board (Pennsylvania Dept of Labor and Industry)	\$10,000 (considering a policy to vary cap to promote high wage/high growth occ.)	2 years
Golden Crescent (Texas Workforce Commission)	None	2 years
Heart of Texas (Texas Workforce Commission)	\$5,000	2 years
Note: The first column lists the local area we visited (with the name of the ITA/ETP grantee in parentheses, if different from the local area).		

Permitted Uses for the ITA. Nearly all the sites permitted ITAs to be used for tuition, fees, books, uniforms, and equipment. Only one site limited the ITA to the tuition, while one other prohibited its use for fees. Only one site included supportive services within the ITA. One of the sites that kept its supportive services separate still linked the amount of those services to the size of the ITA. In that site, supportive services could not exceed 20 percent of the ITA amount. Yet another site tracked supportive services along with the ITA, although the funds came from separate accounts.

Demand Occupations. While the law requires that all training occur in demand occupations, sites defined this requirement in different ways. Some relied on a list of demand occupations developed by the state; others used locally developed lists. A few had no formal lists at all, but instead relied on the case managers' own knowledge of the local economy. Sites with formal state or local lists also varied in whether exceptions could be made to fund training not on the list. Most would allow such exceptions if the customer could demonstrate that a job would be available once training was complete; a few allowed no waivers whatsoever.

Several sites added additional restrictions to enhance the economic development potential of their ITA system. For example, one site is planning to link ITA amounts to important growth sectors in the local economy, as follows:

The Three Rivers Local Board may consider a new policy in which the amount of the ITA would vary with the occupation chosen. Under the policy, the Local Board would reserve ITAs with the highest permissible funding amounts for training in jobs that are considered critical for regional economic growth. The absolute maximum would apply for the occupations that the Local Board believes are most important for the local economy and that pay the highest wage. Other occupations would be capped at a stipulated percentage of the maximum amount, varying with the relative importance of the occupation to economic growth in Pittsburgh and surrounding Allegheny County and its ability to lead a customer towards a living wage, which is expected to be in the \$8-\$10 range.

Residency Preferences. There are also a few residency preferences to access ITAs. Even though WIA removed JTPA's residency requirement for service to economically disadvantaged adults, several sites within the demonstration have decided to impose residency preferences on the issuance of ITAs. For example, the Atlanta Regional local areas give preferences to residents of their respective LWIAs or to dislocated workers formerly employed in those LWIAs, on the grounds that serving those outside the area comes with no additional funding.

SERVICES PROVIDED TO TRAINEES DURING AND AFTER TRAINING

Services during Training

The extensive investment in the ITA by both the participant (time and effort and opportunity costs) and the LWIA (staff time and training outlays) raises the importance of ensuring that the customers are successful in their training. One element of this is maintaining good connections between the One-Stop center and customers who are in training. For the customer, a variety of counseling services may be beneficial or necessary to assure training completion. The One-Stop center staff, in turn, will want assurance that the participant is attending classes and otherwise making progress in the training. Maintaining these connections typically involves the participant, the One-Stop center case manager, and the vendor and its staff. All the sites carried out these functions in some way, but they differed considerably in the types of services offered or required and in who carried out these various responsibilities and services.

All but one of the sites want trainees to keep in periodic contact with their case managers during their training period to verify attendance or to meet with the case manager. The most common period used is a monthly meeting or report. However, sites differ in whether the responsibility for contact lies with the trainee or the case manager. In some sites, the trainees need to check in to file an attendance or a broader progress report and could then elect to see a case manager to discuss any concerns that they have with their training. Trainees are also supposed to report any problems that might interfere with the completion of their training program, such as health or family emergencies. The Greater Omaha site wants contact on a more frequent basis. Trainees there have to bring in attendance reports signed by the training instructor at least every two weeks. This visit coincides with the time customers pick up bus passes, an important supportive service for many of them. When the customers come in, the case manager gets a chance to talk with them informally.

Case managers have parallel responsibilities to monitor a trainee's progress. All sites have their case managers monitor progress in the training in some form. In those sites that require a personal visit, case managers meet with their customers to solve personal problems that might interfere with completion of the program or to review supportive services needs. In some sites, such as Southwest Connecticut, where the trainee is not required to come in, the case manager checks monthly with a trainee to learn about attendance and any concerns with the training. The case managers may even make a home visit, if there was a concern about attendance. Another site sends trainees periodic surveys mailed to their home; this approach was developed partly because case

managers have very heavy caseloads, which make routine personal contacts infeasible. Demonstrating another approach, the Georgia ITA coordinator is planning to create an Internet-based network to provide study skills to trainees. This system, which will be part of the integrated career exploration and consumer report systems, will be available to all trainees in the state.

Vendors also provide important services during training. Nearly all have financial aid case managers to assist with applications for Pell grants and other forms of financial support and a counseling staff to provide training in study skills or help their students with general problems. Most of our sites required their vendors to report progress or to identify when students have particular problems. Five sites specifically require the vendors to provide periodic progress reports, most often monthly.

Many of the front-line staff we spoke with noted that active counseling is much more prevalent among the proprietary schools than public institutions, which are predominantly community colleges. The community colleges usually have similar counseling available, but usually the student must take the initiative to use such services. The proprietary schools, on the other hand, are very active in bringing those services to their students. The proprietary schools are also generally better at monitoring student progress and reporting to the One-Stop centers than the colleges. Baltimore staff, for example, noted that their proprietary schools provide greater levels of support because they are much more concerned with demonstrating the institution's high performance. A case manager in Jonesboro (who herself is an employee of a college that operates the One-Stop center and is a training vendor) spoke about how much better the proprietary schools are at reporting to the case manager information about students who are experiencing difficulties.

However, despite these general patterns, in some places the One-Stop staff reported that the community college also does a good job of communicating progress and supporting student progress. For example, in Greater Omaha and Greater Lincoln, both of which have few private training schools, the community colleges provide good counseling services and a host of other supportive services, such as on-site child care and support groups for people entering non-traditional employment.

Placement Services

WIA's performance management requirements make good placement services extremely important for all One-Stop customers, including ITA holders. The sites are

fairly evenly divided in making the One-Stop center, the vendor, and the customer responsible for placement. Some of the One-Stop centers we visited want the customer whose training is ending to come in for job search workshops, counseling sessions, meetings with job developers, and help in preparing a resume, and to use other core and intensive services. For example, Metro Portland has the case manager refer the job seeker to an in-house job developer. Capital Area (Raleigh), which makes its case managers responsible for outcomes, asks its trainees to come to the One-Stop center two weeks before completion of their training to start using job search resources. One-Stop staff there note that, in the current tight labor market, it is very easy to place workers who have the up-to-date skills provided by their training.

More of the sites, however, rely on placement by vendors. In Greater Lincoln, Greater Omaha, Pittsburgh, Allegheny County, and the Atlanta Regional local areas, the Local Boards require the vendors to assist program graduates with getting jobs. For example, a technical training school in the Pittsburgh area has full-time job developers who get bonuses for exceeding placement targets. The vendors in the Atlanta Regional local areas predominantly have formal placement programs, some of which we describe below:

The vendors in the Atlanta area use a variety of means to provide placement assistance. One vendor forms job clubs and has job developers on staff. One computer training school that serves predominantly low-income, minority students integrates job search into its curriculum and makes all staff responsible for placement outcomes. On the other hand, another computer training school that serves predominantly upper income dislocated workers among its WIA customers facilitates self-directed job search using an informal network of the school's graduates. As an adjunct to this vendor activity, one Atlanta Regional local area case manager bring his customers to the One-Stop center 60 days before completion to begin job search.

As with counseling services, proprietary schools generally seem more proactive in helping trainees with job placement than public colleges are.

Several sites give the customer the choice of whether to rely on vendor or One-Stop placement services, taking advantage of the customer's obvious interest in prompt and remunerative employment. SELACO notes that most of its trainees take advantage of vendor services. Nevertheless, case managers encourage their customers to come in if they think that they need extra help. Regardless of who is primarily responsible, all the One-Stop centers indicate that their full job search facilities, from core and intensive services, are available to those who complete training.

COORDINATING THE ITA WITH OTHER SERVICES

Seamless service to customers is an expected feature of the integrated system intended by WIA, as is the leveraging of funds from multiple sources. Thus, in order to understand the full array of resources and services that trainees are accessing, we must understand how WIA funds are used in conjunction with funds from other sources. In fact, in most of the demonstration sites, the ITA itself is only one part of a complex mosaic of funding sources that contributes to training of ITA holders. These sources include Pell grants from the U.S. Department of Education, trade-related dislocation programs through the unemployment insurance system, vocational rehabilitation state training or higher education grants, and welfare sources, to name the most common.

With respect to service integration, we found that co-enrollment and other forms of collaboration were highly developed in some sites but weak in others. At the one extreme, the two sites in Indiana were notable for an especially high degree of collaboration across the various One-Stop partners. Thus, Indianapolis had about one-third of its ITA participants co-enrolled in welfare-to-work, vocational rehabilitation, or Trade Adjustment Assistance. Similarly, Tecumseh Area Partnership, also in Indiana, had quite a few ITA holders enrolled in vocational rehabilitation. At the other extreme, many sites had little or no co-enrollment or active collaboration. The predominant explanation for lack of collaboration was that their One-Stop systems were still being built, and they expected greater collaboration in the future.

Of the One-Stop programs, the trade-related dislocations programs, including the Trade Adjustment Assistance and the North American Free Trade Agreement-Transitional Adjustment Assistance programs, are perhaps the most successful in obtaining coordinated enrollments. Both of these programs can pay for training expenses and income support while a customer is in training. The latter feature makes these programs highly desirable for dislocated workers who are interested in training. Very often, because the ITA could be committed before the trade amount was approved, the ITA was usually the initial payer and the LWIA received reimbursement once the trade amount was approved. Case managers at Allegheny County pointed out that the incentive to train was so strong and knowledge of the program was so widespread in the community that nearly all eligible dislocated workers come in specifically for training services. In this county, co-enrollment is mandatory, and the ITA amounts are coordinated with services provided through trade programs and other available funding sources. Thus, DOL's efforts to coordinate the major trade programs with the general training programs, which it has been promoting over the last several years, appear to be

having some success. There were exceptions, however, including in the several sites, such as the Atlanta area, that indicated that co-enrollment was not occurring because they were experiencing little trade impact.

Coordination with the Pell grant is more common still, which occurred at virtually all sites.⁶ In managing this coordination, these sites generally adhered to WIA's requirement that Pell funds, among others, should be spent first. However, because the ITA amount could be determined and committed immediately, in general ITA funds are typically used to begin a training program and then Pell grants are used to provide reimbursement from the training vendor once the Pell grant was awarded. Sites either considered an estimated Pell award in preparing the ITA, as in Indianapolis and Capital Area (Raleigh), or the eventual grant effectively reduced the amount of the ITA, as in Cincinnati, Baltimore, and West Central (Sedalia). Several other sites paid for tuition through the ITA but used the subsequent Pell grant to defray the cost of supportive services.

Personal financial contributions were also a common form of additional support. Many of the sites indicated that they expected a personal financial contribution from the trainee wherever the ITA amount or other financial resources did not cover the cost of training. These amounts are figured into a financial plan that the sites required participants to prepare as part of the individual employment plan. Southwest Connecticut is perhaps the most vigorous site in obtaining contributions as a matter of policy. The Local Board believes that a personal financial contribution will increase a participant's personal stake in the training and the outcomes. Although not widely used, that LWIA also offered low-cost loans sponsored by private companies and corporate-funded scholarships to ensure that there would be additional resources.

State programs were another important source of funds. For example, in the Atlanta Regional local areas, the presence of a state scholarship program funded through lottery revenue is central to their ITA strategies. These scholarships have no income restrictions and are thus available to virtually all residents. They must be considered the first source of payment for training, so residents must apply for these scholarships as well

⁶ The Pell legislation contains a provision requiring that other federal financial aid programs not consider an individual's eligibility for Pell when computing available resources for that person. At the time of the site visits, DOL and the Education Department have issued regulatory guidance that coordination between the two funding sources should occur.

as for Pell grants. The combination of these funding sources makes the ITA a relatively small player in the training marketplace. Pennsylvania also has a state higher education assistance program that could offset the ITA.

SUMMARY

One of the key reform principles that DOL has developed for the implementation of WIA is increased customer choice. This is clearly evidenced in the ITA/ETP system, which provides for qualifying good training vendors and explicitly guarantees the right of customers to choose from among those who qualify. Yet, the system also sets that choice within a regulatory framework to assure that Congressional policy is carried out and ensure that, when funds are limited, resources are available to serve those whose needs—low income workers and welfare recipients—have long been recognized. This regulatory framework effectively constrains choice to some degree.

We observed that the policies, practices, and procedures that local areas used in implementing the system were quite effective in creating a balance between these two tendencies. We observed that each tendency is moderated by a major factor that brings it closer to its counterpart. First, customer choice in the ITA system is not the unrestricted choice of the commercial marketplace. Rather choice under the ITA system is informed by high quality information and reasonable guidance by professional staff. We observed in all sites that customers were making choices based on the use of labor market information and career guidance systems, staff guidance, and other resources, including their own field research. Second, the regulatory framework, which some respondents noted is as constraining as that under JTPA, is tempered in all sites by considerable flexibility. Our findings on the path that customers follow through pre-ITA services, the selection of training occupations and vendors, and the services during and after training clearly show a high degree of flexibility across all sites.

Another major factor that enabled the demonstration sites to create a more harmonious ITA system was their experience at it. Many of the sites indicated that they did not have to change many of their practices, policies, and procedures from those they used under JTPA. A few sites said that their ITA systems were virtually no different from how they approached training under JTPA. Others indicated that establishing an ITA was an additive process: they were able to add certain elements to existing practices or policies that were consistent with the ITA system.

IV. DEVELOPING THE ELIGIBLE TRAINING PROVIDER LIST AND CONSUMER REPORT SYSTEM

Two key elements of the training system envisioned by WIA are, first, that customers should be empowered to make decisions regarding the training program and vendor that suit them best, and, second, that, for this to be a meaningful choice, it should be supported by ample and relevant information made available by the One-Stop system. As we have discussed in the previous chapter, centers were actively working to provide information to customers to promote their informed choice, by making labor market data available, providing assessment and counseling, conducting workshops, and having ITA holders conduct field research with former trainees, employers, and vendors. Also critical, according to the WIA legislation (e.g., Section 134d4F), is that customer choice will be supported through an Eligible Training Provider (ETP) list and Consumer Report System (CRS) that will: a) identify those programs and vendors that have been found by the state and local workforce board to meet acceptable standards of quality, b) provide information in a readily accessible format about each program's costs, c) provide information on vendors' performance that will permit comparisons across programs with respect to program completion and job placement rates of recent trainees (both WIA-funded trainees and others) and their wages, among other things, and d) provide other information that may be relevant in helping customers make wise choices.

According to the vision embedded in the legislation, the ETP and CRS are the linchpin of the ITA system, serving as key resources to promote the full information that is necessary to support customer choice. Providing these tools helps assure local areas and states that they provide choice to customers while still meeting their accountability requirements. However, their development has proven to be costly and time-consuming undertakings, as we shall see below. In fact, most of our case-study sites are still developing the details of these systems. For instance, with respect to the ETP, most have yet to make decisions regarding performance benchmarks for subsequent eligibility or work out the details of how vendors' performance will be measured. The development of the CRS has proven to be even more difficult; only a few sites had an operational CRS, populated with reasonably complete data, at the time of our site visit, and many sites expect that it will be quite a while before they do so. Thus, the Final Report of the evaluation, due in early 2002, will be able to provide much more information than we have available now about what these systems look like, how they were constructed, and

how they work in practice and are used by customers. In this chapter, we provide an introduction to these issues by discussing some of the considerations that sites are using in building their ETP list and CRS, how they established initial eligibility, and their preliminary plans for subsequent eligibility and performance measurement.

DESIGN OF INFORMATION SYSTEMS

At the time of our site visits, all states had developed an ETP list that had been distributed to One-Stop centers for their use. These lists took different forms, reflecting states' unique visions for their systems, and they were disseminated in different ways.

Vision of the Eligible Training Provider List

A primary question that states had grappled with was determining what purposes and audiences the ETP list should serve. According to the WIA legislation, the ETP list is to serve primarily two functions. First, as the name implies, it constitutes a list of those providers whose programs may be considered by adults and dislocated workers who are undertaking training funded by WIA (WIA Section 134d4C). Second, the list is to serve as a resource for the universal customer who, through core services, is interested in conducting research on training providers in the state (WIA Section 134d2F).

There is potentially some tension between these two objectives. To meet the first objective as efficiently as possible the list could be restricted to only those providers eligible to redeem an ITA. In this way, ITA holders can examine the universe of providers from whom they can undertake training with the least confusion. By contrast, the universal customer might be interested in researching a more comprehensive list of vendors, including those that may not be ITA eligible. How programs managed these varying goals differed among the sites we visited.

Just less than half of the demonstration states gave primacy to the first of these objectives, by developing an ETP list intended primarily to meet the needs of WIA training customers. In these states, the ETP list consists exclusively of WIA-eligible training programs and providers. The logic that these states followed was that similarly structured lists containing information on other programs and providers already existed to meet the needs of customers in core services. For example, for the sake of expediency Pennsylvania was focusing on creating a narrow ETP list that would include information only for ITA-approved programs, on the grounds that doing otherwise would be duplicative with a more inclusive list already available from the state Department of Education. Sometime in the future, this state reasoned, these two lists could be merged to

create a comprehensive list that identified which vendors were WIA approved, but in the short-term it felt that its efforts would best be focused on the more limited objectives at hand. Another reason for developing a restricted list was to provide a strong incentive for vendors to apply for eligibility. According to this logic, vendors would want to apply for eligibility for their programs to take advantage of the marketing opportunities that the ETP list offered.

By contrast, the remaining states we visited developed a broader ETP list that was intended to be a multi-purpose resource. In these states, the ETP list was opened up to include non-WIA eligible providers for several reasons. First, they wanted to ease the workload for their cross-trained staff, by creating more efficient search tools that are easy to use. Rather than different agencies having a unique list for its own purposes or having case managers search multiple lists with different levels of certification or types of approval, a single list (with indicators denoting which vendors had been approved for different purposes) would enable staff members to access all the training options for their clients quickly and with ease. For example, in Ohio Works centers, case managers are cross-trained and serve multiple programs for which they are responsible for training referrals. The database they have developed provides a comprehensive listing of training programs in the state while indicating whether or not the program is ITA approved and, in some cases, whether it is certified or approved for other funding sources. With a comprehensive training provider list, case managers are thus able to access one site for information about training vendors, and customers are able to access this information to make informed training decisions in a timely fashion.

A second consideration for those developing an inclusive list was to maximize the use of the WIA administrative funds that were expended in building the list to begin with. Faced with limited funding for the development of their One-Stop infrastructure, and the high costs of developing the computer interface for the ETP and CRS, states want to leverage their investment in compiling data and developing software by having the resultant tools serve multiple purposes. This consideration becomes especially important in states that are anticipating a relatively low flow of WIA participants into training, because in this circumstance a relatively small number of persons would benefit if the ETP list were narrowly restricted. By contrast, including a larger number of providers and programs in the CRS justifies the expense of creating this new tool.

Related to this, states developing an inclusive list wanted a tool that would bridge the gap between ITA-funded training and training that might be funded from other

sources. Emphasizing the principles of universal access and customer choice, these states chose to make the ETP list a more comprehensive training source for all customers in including non-WIA eligible training programs. This inclusive list serves as an important resource for all individuals looking for training. Moreover, such a list could serve as a resource for employers as well. In Georgia, for example, state representatives sent out notices to small and mid-sized employers encouraging them to use the list for their incumbent-worker training. These customers would not necessarily have had a use for the CRS if non-WIA eligible training programs were not included on the list.

Finally, another advantage of a broader list is to provide an incentive for vendors to seek ITA approval. This explanation was paradoxical given that states adopting a restrictive ETP list also provided this as a rationale for their strategy. Both groups recognized how difficult it might be to encourage vendors to go through the trouble of filling out the required paperwork and collecting the necessary performance data to seek eligibility for a program, given that they could generally expect only a small customer flow of ITA holders. Thus, states wanted to emphasize the advertising advantages that the vendors' inclusion on the list would offer. Some states felt that restricting the list only to ITA eligible providers would best serve this purpose. By contrast, others took the opposite approach. For example, the vision expressed to us by respondents in Michigan was that any vendor could be included on the list, whether or not it was ITA approved, but each must submit essentially the same paperwork and information about its programs, including some performance data. Given this, the marginal burden of applying for ITA eligibility was expected to be very modest, which, it was hoped, would induce vendors to apply.

These strategies articulated by both groups of states represented their vision of how the ETP list could best strike a balance in meeting the needs of ITA holders, other potential trainees, case managers, and other stakeholders. However, pragmatic considerations were important as well. Thus, in some cases, the strategy followed by states for the ETP list was affected by their overall progress towards full implementation of WIA. The July 2000 WIA compliance date factored greatly in the planning of all states. For example, one state modified an existing list of TANF vendors to serve as the ETP list. Not only did modifying an existing product seem like the best way to make use of existing resources, it was also very expedient because state representatives were operating so close to the WIA implementation deadline of July 2000. Other states based their ETP list on rosters of vendors that had been approved by state certification bodies.

For example, in Maryland by state law any entity in the state that offers training services that is open to the general public must be certified by the Maryland Higher Education Commission (MHEC). The state felt that this list served as a very natural starting point on which to base the ETP list.

Disseminating Information about Vendors

The Workforce Investment Act (Section 122e4A) stipulates that the ETP list must be distributed to the One Stop delivery systems within the State and “be made widely available to participants in employment and training activities.” Moreover, the ETP list should be bundled with other sources of information in a consumer reports system that would, according to the WIA regulations, help adults or dislocated workers to “fully understand the options available to him or her in choosing a program of training services” (20 CFR 663.570).

As a subsequent section of this chapter will discuss, performance information on vendors was almost completely absent at the time of our site visits. Thus, the information that states could provide for the ETP list consisted for the most part of basic information about vendors (e.g., name, address, etc.) and their programs (course name, duration, costs). With wide distribution as their main goal, states made this information available either electronically, in paper form, or through a combination of both methods. On the one hand, a few states have elaborate systems that enable users to search electronically by geography and key word, “shopping cart” features so that users can easily compare across vendors, links to each vendor’s Web home page, and other features. A few states (e.g., Missouri, North Carolina, and Pennsylvania) have also developed (or are planning to develop) customer feedback systems that enable those who have undertaken training to post comments on the program’s quality on the Web. At the other extreme, some states thus far (or at least at the time of the site visit) have only hard-copy listings or, at best, electronic ETP lists in the form of Microsoft Word files or spreadsheets. Clearly, in many states much developmental work on the CRS infrastructure remains to be accomplished.

Apart from the sheer amount of work that yet needs to occur, states are grappling with issues regarding how the data—or how much of the data—should be displayed. For example, respondents in some states voiced concern that users, including customers of the One-Stop center and WIA partner programs, might misinterpret performance information about vendors or not understand the requirements for eligibility. One state was contemplating handling this issue by suppressing much performance information,

and thus might simply indicate (in an ETP list that included non-ITA eligible providers) whether the program was WIA approved.

Another consideration concerned how or whether to link information about vendors with other data sources in a comprehensive management information system. A few states, generally those that have created ETP lists that address the needs of many different audiences, have been inclined to link these different data systems. In use by customers, case managers, local boards and multiple partner programs, they reach a large, diverse audience. Features of these systems vary but can include customer tracking, performance information, and reporting capabilities. For example, Georgia has decided to put its ETP list and CRS on the state-run Career Information System used by multiple program partners in its One-Stop centers. For this state, the existing statewide electronic system serves as the best distribution mechanism available and ensures that a large audience will be reached. Placing the list on this existing system also allows the state to take full advantage of previous state efforts as well as funding earmarked towards electronically linking the state.

Other states also have future plans to link the ETP list to the larger MIS. However, our respondents pointed out to us that these efforts will require much time and additional resources beyond the scope of this grant in order to be realized. It will be interesting to see in the next round of visits to these demonstration sites how much progress has been realized and how much, if any, additional funding was invested in the effort.

Still other states embed their vendor list on a larger career-oriented web site, with diverse resources and tools to assist customers in making training decisions. These other resources might include information about transportation and childcare services, sources of financial aid, career planning tools, assessment instruments, and labor market information, among other things. An example of one such system, Maryland's CareerNet, is described below:

Maryland's CareerNet directs customers with the click of a mouse from information about vendors to a variety of other tools and resources that might be useful to those making training decisions. For example, customers can take various on-line personality tests, a work-interest quiz, and a career inventory. Another link directs one to labor market information and information about applying for financial aid. Still another provides tools for the job search, including how to prepare a resume and develop a job search strategy.

By including the list in this broader context, the state and local areas are able to emphasize the overall vision of training as a path to self-sufficiency and career growth.

In any case, the time and resources needed to create even less ambitious consumer report systems are enormous, as the study sites are finding. Many of these demonstration states, even those farthest along in the process, had not fully developed these systems and were a long way from having the performance information that WIA will eventually require for ITA-approved vendors. In fact, faced with projected substantial time lags before some state systems are fully developed, some local-area grantees are using local resources to develop interim solutions. For example, both Southwest Connecticut and Metro Portland realize that it will be a long while before their states' consumer reports systems are fully functioning and for this reason are contemplating developing local-area versions for their own use.

INITIAL ELIGIBILITY APPLICATION PROCEDURES AND REQUIREMENTS

Developing the vendor application process was an important first step in building the ETP list. The two key components of this process were marketing to eliciting applications from vendors and developing the actual application procedures.

Marketing Efforts by States and Local Areas

States and local sites varied in their approach to bringing vendors to the eligible provider list. The approach they adopted was influenced to some degree by the fundamental design decision at the state level of whether the consumer report system was intended to include all training resources in the state or was to be limited only to a narrower subset. In the former approach, states and local areas needed to solicit all possible vendors and then select a subset that met qualifications of the eligible provider list for ITA purposes. These sites felt that the first order of business should be to develop an inclusive list of ITA-approved vendors for initial eligibility—a Yellow Pages, as one respondent called it—and then worry about developing performance criteria to winnow the list for subsequent eligibility. Georgia is a good example of a state trying to expand its list, especially in its rural areas, where customers might have few choices without special outreach efforts.

The state is very active in attempting to market the eligible provider list to vendors. In addition to getting the WIBs to develop active solicitation programs, it is working to identify vendors who might be able to serve rural areas, in which customers might otherwise encounter severely constrained choices. The state also provides active technical assistance to vendors to adjust their programs to help them meet training needs in particular areas.

Other states take a more limited approach. Under this scenario, these sites could confine marketing to ensuring that the list is large enough to provide sufficient choice for

their ITA customers. In a minimalist approach, local areas needed to offer just enough marketing assistance to bring in their good JTPA vendors. For example, at least one state indicated that it wanted to get its consumer report system operating properly with a smaller universe of eligible providers before moving to expand the list to encompass all training providers. It did not expect to push for this expansion until it addressed performance issues under subsequent eligibility in PY 2001.

With respect to marketing and disseminating applications to vendors, both states and local areas played important roles, but the relative balance between the two varied from state to state. Some states have taken a very proactive role in the application process. These states sent applications or information on the ETP application process to all state licensed or certified training vendors and encouraged them to apply. These states felt that it was important to cast as wide a net as possible and make the application process as easy as they could for vendors and local areas. Adopting this strategy also helped them alleviate their concern that vendors might otherwise be unaware of the new ITA system and accompanying application procedures; by sending an application to all training providers on a master list, the state could thus ensure that all vendors would have access to the application materials. For example, Maryland identified all vendors in the state that were certified by the Maryland Higher Education Commission and who were thereby authorized to market training services in the state. Local areas were then encouraged to follow up, to encourage those vendors to submit an application for ETP eligibility.

By contrast, some states left it almost entirely up to the local areas to notify vendors of the procedures for applying for ITA eligibility, or they otherwise encouraged local areas to engage in heavy recruitment and outreach. For example, Southwest Connecticut, SELACO, and Cincinnati had periodic meetings with vendors in their areas to explain the ITA system and the application procedures, to complement informational sessions conducted by the states. Cincinnati was notably aggressive in its marketing efforts, holding quarterly meetings with vendors that will continue beyond initial eligibility.

Submitting an Application for Eligibility

All of the states in this demonstration followed a fairly standard model based on the legislative requirements for the initial eligibility process, which stipulate that vendors should submit an application to the local board for the area in which the provider desires to provide training services. All states followed this requirement, but some variations did

occur due to basic administrative differences. The typical model used by states aligns with the procedures required in the legislation and can be described as follows:

1. The vendor completes an application to the ETP list for each of its programs.
2. The application is submitted to the local area board either directly to the local board where the vendor is seeking eligibility, or to the state who in turn forwards it to the relevant local areas.
3. The local board reviews the application and forwards it to the state with a recommendation for entry on the ETP list.
4. The state reviews the application and either denies or accepts the application for eligibility.
5. The provider and local board receive notification of acceptance or denial.
6. Providers who are denied entry to the list may choose to appeal to the state or local board following set appeal procedures.

The one variant, implicit in the description of step 2 provided above, is that in most states vendors would submit applications directly to the local area or areas to which they were applying, while, in other states applications would be sent to the state who would in turn forward them to the relevant local area or areas. The advantages of the latter approach, it was felt, were that vendors need not submit multiple applications for the same program to different local areas, potentially needing to meet various and idiosyncratic local area guidelines, but could instead submit a single application only. This more streamlined process was viewed as removing a potential major impediment to vendors' wanting to apply, as well as substantially easing the burden on the local areas.

In either case, the local board remained the first arbiter of whether the vendor's application was approved. Thus, even in the states that were recipients of applications first, the local board still made the initial decision about whether the vendor's application should be recommended for inclusion on the state list. For example, in Michigan, the state receives the application and then forwards it to the appropriate local boards for approval. The local boards in this example still retain the authority to give, or withhold, their approval.

Also as a way of streamlining the application process, over half of the states we visited made it possible for vendors to submit applications electronically. The remaining states that do not yet have electronic application procedures are creating the infrastructure necessary for them to do so, in some cases using funds from this grant. Although the specifics vary, where electronic application is an option vendors are able to download a

copy of the application from the Internet to fill out and mail in to the appropriate local board or state agency. Most of these states also allow vendors to email or submit a completed application over the Internet directly to a board or state clearinghouse. Several of the states are allowing both paper and electronic applications as acceptable forms of submission, though at least one of the states will only allow electronically submitted applications once its electronic system is fully functioning.

States that accepted electronic applications felt that doing so expedited the process in a major way. For example, the burden of having to keypunch data entries could be entirely eliminated. Additionally, a preset electronic application ensures that all necessary information will be collected from the vendor, obviating the need for callbacks or otherwise dealing with incomplete applications. For example, in Texas, the electronic system will not allow an application to be submitted if certain data fields are incomplete or missing. With an electronic process in place, approval of applications also proved to be a much easier task, in that a computer program can be created to check automatically that vendors are meeting minimum requirements for approval to the ETP list (such as performance benchmarks). This benefit will be most noticed in subsequent eligibility as vendors and states are faced with processing the large amount of anticipated performance data. These new electronic systems should make the application process and the submittal of performance data easier for vendors, local boards, and the state alike.

Information Required for Application

All of the states require the same basic vendor and program information on the application form. This basic information includes vendor/institution name, contact person, address, information on accreditation, and training provided. Typical program data include name of program, course content, certificate/degree awarded, mode of delivery, hours of instruction, credits, costs, and program goals. As we will discuss shortly, most states waived any requirements for performance information for initial eligibility, even for non-exempt vendors, though it could be provided if the vendor had it available. For example, in California, the state invited vendors to submit recent performance data but flagged this information as "self-reported by the providers and has not been verified." This performance information does not effect a vendor's inclusion on the ETP list.

Several of the demonstration states also explicitly required that providers have obtained state certification and licenses to provide training before they apply for eligibility to the ETP list. These certifications and licensures were mandated by state law

well before the enactment of WIA. States gave two reasons for requiring this basic state certification or license before an application for ETP eligibility would be approved. First, they used the state certification as a way of ensuring that vendors met minimum state standards for quality. In addition, reliance on a pre-existing list of state-certified vendors was very expedient, in that it provided an obvious starting point for developing the ETP list and served as a ready means for identifying vendors from whom applications should be sought.

These certification processes vary in scope and content to some degree. In general, however, they focus on process rather than outcomes, considering, for example, whether curricula and equipment are up-to-date, whether facilities are adequate, and whether student-to-staff ratios are low enough. In Maryland, the state requires the Higher Education Commission (MHEC) to approve the provider in a fairly rigorous site visit. Every public or proprietary post-secondary school offering training to the general public must have certification from MHEC, so it seemed obvious to use this list as the starting point for ITA eligibility. Similarly, in Oregon respondents stated that requiring that providers be licensed helps create an initial quality assurance before ETP subsequent eligibility rules are put in place.

One complication is that states requiring state certification for providers have in some cases had to set up special processes to deal with the large influx of applications from vendors applying for inclusion to the ETP list. In Oregon, for example, while reviewing applications to the ETP list, state representatives discovered that some providers were offering training courses without proper certification. To ensure that applications from new providers and those not certified will be sped through the certification process, the state has set up a quick certification process so that providers can get on the ETP list in a timely way. Though the state does not want to create too many bureaucratic processes, they feel that this state certification is necessary and ultimately a benefit to all parties.

An additional difficulty is that, in some cases, requiring state certification is serving to exclude from the ETP list vendors that might have been used frequently under JTPA, sometimes with good results. For example, in Connecticut, providers without certification from the Department of Human Services cannot offer training services to the public or advertise. However, under JTPA, non-certified vendors in this state could forge agreements with a local job-training agency to conduct class-size training. Given WIA's reduced emphasis on contracted training, providers lacking certification will be little used

and might have difficulty finding enough other business to stay afloat. Now, some of these training providers are seeking state certification to stay afloat.

Developing Regional Approval Systems

As we have discussed, Local Boards review vendors' applications for eligibility and decide whether or not they should be approved and forwarded to the state for inclusion on the state list. Local areas also are empowered to set more stringent performance criteria beyond those established by the state. At the same time, pursuant to 20 CFR 663.585, some sites hold that ITA holders are free to choose any vendor on the state list, so long as the training program is for an occupation in demand. This set of circumstances gives rise to the possibility that a customer issued an ITA by one local area could use it to procure training services from a vendor that had been denied eligibility by that local area but approved by an adjacent one.

Several of the case-study sites were disturbed by this possibility, and stated that they would be very reluctant to expend their training funds for services at a vendor that they had denied for eligibility. As a precaution, they were attempting to coordinate the vendor approval process across adjacent local areas, at least to some degree. Doing so was in fact a chief focus of Macomb-St. Clair's grant plan. This grantee had used its grant funds to hire a consultant who was serving as a regional coordinator responsible for identifying existing variation across local areas in the Detroit metropolitan area, not only with respect to their vendor approval criteria, but also regarding caps on ITA costs, the maximum allowable duration of training, how demand occupations were defined, and so on. The consultant is facilitating the coordination of policy formulations across the local areas to achieve greater consistency.

The several local areas that make up metropolitan Atlanta developed a different approach, specifically focused on the problem of ensuring regional agreement with respect to vendor suitability. These areas empowered the Atlanta Regional Commission to act on their behalf in reviewing vendor applications and deciding which ones should be forwarded to the state for approval.

A third demonstration site, North Carolina, adopted yet a different approach to the same problem. This state was including separate data fields in its consumer report system to identify specifically which programs had been approved by which local areas. With this information readily at hand, potential trainees and their case managers could at least quickly identify vendors that the local area had deemed as unsatisfactory.

SUBSEQUENT ELIGIBILITY APPLICATIONS AND PROCEDURES

Only Texas, one of three WIA early implementing states in our sample, had actually begun subsequent eligibility at the time of the site visit. All the others did not face a deadline for procedures and standards until at least PY 2001. Thus, few of them had finalized their subsequent eligibility policies and, in some cases, had given them little thought. Other than Texas, only Maryland, Missouri, and Ohio had made considerable progress in developing subsequent eligibility requirements. In the remaining states, state representatives and ITA work groups were hard at work. Several of the states hoped to have recommendations and decisions from these work groups during the first few months of 2001.

One of the reasons for this delay was the difficulty in establishing performance guidelines as well as gathering and monitoring performance data. Determining final performance measures has been difficult as states attempt to satisfy all entities involved, including Local Boards, community colleges, private training vendors, One-Stop center operators, case managers, and the customers themselves. As described in the next section, states have had to change existing policies and create new definitions before determining final procedures.

Given these difficulties, several of the states admitted to purposefully postponing subsequent eligibility for as long as possible. In fact, one state anticipates requesting an extension to use initial eligibility guidelines for a full two years.

Most of the states expect a huge drop-off in the number of providers on their ETP list once subsequent eligibility begins. Texas, the only state that has entered subsequent eligibility, in fact experienced a substantial drop-off of vendors applying and becoming eligible for the ETP list. One respondent estimated that the ETP list had fallen by 85% from initial to subsequent eligibility. The overwhelming reason given for this drop-off was that vendors, mostly community colleges, were unwilling to undertake the difficulty and expenditure of time and resources necessary to gather and submit performance information, when they expect that only a trickle of ITA customers will result.

Another issue that Texas has dealt with concerns the process for approving newer programs and those that have not served any WIA participants in a program year. With DOL's approval, the state decided that such programs may be re-certified for one additional year (this option does not apply to performance data pertaining to the WIA population because the vendor may collect this information from the state directly). If a vendor has not trained any WIA participants 90 days prior to the expiration date for

initial eligibility, then a local board may also exercise this option and grant the vendor recertification for one additional year.

PERFORMANCE MEASURES

Developing performance benchmarks for judging vendors' success at serving trainees, as is envisioned by the ETP application process, has proven to be extraordinarily difficult. As a stopgap approach, most sites in our study waived performance requirements for initial eligibility and have yet to make much progress in developing them for subsequent eligibility. Among the thorny issues with which they are grappling are defining key terms and developing necessary and appropriate data collection systems.

Performance Criteria for Initial Eligibility

In keeping with WIA's requirements, degree-granting post-secondary institutions are granted automatic initial eligibility so long as they apply, but other training vendors may need to meet minimum performance requirements. In fact, all but two of the states we visited as part of this demonstration, Missouri and Texas, waived any performance requirements for initial eligibility for all vendors. This decision greatly affects the way initial eligibility functions in these states as well as how subsequent eligibility will work in the next program year. The overwhelming reason that states gave for waiving performance requirements for initial eligibility was that they were not sure what requirements they should adopt and needed to confront complicated issues about how key measures should be defined and operationalized. Moreover, in most of these states the information systems needed to collect, process, and display the volume of information that performance requirements would imply were not operational at the time initial eligibility began in July 2000. Clearly, states expected that establishing performance requirements for eligibility would give rise to extraordinarily complicated measurement and data issues, and they wanted to give themselves time to address them in a thoughtful and deliberate way.

Another reason for states' waiving performance measures under initial eligibility was to address the concerns of many vendors, especially public institutions, who were anxious about what might be required and how the new system would work. As will be discussed in the next chapter, community colleges admitted that they were not nearly ready to provide performance information about their programs and were very uncomfortable with the levels of performance they might show if they did so. For example, some community colleges worried that their open-admissions policies would make them appear to be very poor performers. In recognition of these very legitimate

concerns, states made the decision to waive performance requirements as a sign to vendors that they are important to the system and that the state understands their concerns.

States also felt that waiving performance requirements would help to ease the transition to WIA for vendors. Providers, like local areas, case managers and customers, need time to get used to the new way of conducting business that an ITA and ETP system implies—for example, by taking more care to support students through training and afterwards to see that they complete their training and obtain employment. Moreover, on a more practical note, waiving performance measures allowed the states to retain the large numbers of providers they felt they would lose if performance requirements were imposed. During initial eligibility, states hoped, they would be able to work out many of the system difficulties and have the opportunity to demonstrate to providers that ETP eligibility was valuable and worth their added effort. Interestingly, many of them also are requiring vendors as part of the application for initial eligibility to agree to begin gathering and submit the required performance data in subsequent years. Thus, they are attempting to ease the burden on vendors in the short-run, while endeavoring to get them to commit to be players in the system once performance requirements are imposed.

Performance Criteria for Subsequent Eligibility

Approximately two-thirds of the states in our sample were still grappling with these issues at the time of our site visit, and thus had not decided on final performance measures for subsequent eligibility. Many of them, in fact, were not even close to doing so. Conversely, four states finalized their performance measurement policies, or at least had developed concrete recommendations that were being fine-tuned or circulated for comment.

Across all states, however, determining the performance criteria for subsequent eligibility as well as developing the necessary data systems to support them have been time consuming exercises, as states have endeavored to make decisions regarding complex issues while balancing the needs of all parties involved. The majority of the states convened work groups made up of representatives from local boards, proprietary schools, and community colleges and state officials. In one of the states the work group met every other week for six consecutive months to determine what performance data vendors should report for subsequent eligibility and what minimal levels of performance would be required.

A key consideration has been establishing performance criteria that are rigorous enough to ensure a minimum level of quality among vendors who are certified as being eligible, while not establishing them so high that so many vendors will be excluded from the ETP list as to unduly restrict customer choice. Establishing fairly lenient criteria for eligibility also brings the associated risk of reduced expectations by conveying the message that mediocre performance is satisfactory. Another very practical consideration has been knowing at what levels to establish performance requirements in the absence of having good historical data about what actual performance has been. For example, states that in principle would like to establish performance levels at a certain percentile of performance find that they have no way of knowing what absolute score that percentile would correspond to.

The four states that were close to finalizing their performance requirements at the time of our site visit show that states balance these objectives and considerations very differently, partly as a function of the sophistication of their existing data systems and their previous experience with collecting performance information from vendors. For example, Maryland has limited historical information about vendor performance and is thus leaning towards establishing fairly relaxed performance criteria for subsequent eligibility for at least the next year or two, until enough performance data are accumulated so that it would be positioned to make a more informed decision. In this state, vendors, in collaboration with the state, will be collecting performance information on all the WIA-required measures, but, as of now, the only performance benchmarks required for subsequent eligibility will pertain to employment rates for WIA-funded and all trainees. The exact minimum benchmarks on these two employment measures were still being debated. However, the state will endeavor to establish a level that will not exclude an excessive number of vendors, while being high enough to represent a sound achievement that will keep vendors competitive. In setting the benchmarks, the state will also take into consideration performance levels that the state has negotiated with the DOL Regional Office on the related WIA core measures, the adult and dislocated worker entered employment rates. No other performance requirements will be imposed at this time. However, the state envisions using the first several years of subsequent eligibility to begin amassing a database of vendor performance on all remaining measures, so that benchmarks can be established on them in a reasonable way later.

At the other extreme, Texas, with a longer history of tracking the performance of training providers, has decided on a somewhat more stringent approach for subsequent

eligibility. This state has already decided on its minimum benchmarks for PY 01 as follows:

- Performance requirements for all trainees
 - Program completion rate: Percentage of all participants completing the applicable program conducted by the provider. -- 60%
 - Entered employment rate: Percentage of all participants who obtained unsubsidized employment. -- 60%
 - Average wage at placement: Average wage at placement of all individuals who were employed (set at 120% of federal minimum wage). -- \$6.18
- Performance requirements for WIA-funded trainees
 - Entered employment rate: Percentage of WIA-supported program completers who obtained unsubsidized employment. -- 65%
 - Employment retention rate: Percentage of WIA-supported completers who were employed six months after completion. -- 70%
 - Average quarterly wages: Average quarterly wage of WIA-supported completers who were employed six months after completion. -- \$2,512

Defining Key Terms

Before establishing performance criteria, states are finding that one important conceptual hurdle is deciding how to define key terms. The most fundamental decision is what counts as a “program.” Because the ETP list is in actuality a list of training programs, rather than just a list of vendors, defining what constitutes a program is essential even before the ETP list can be established, let alone before performance criteria are imposed. The regulations (20 CFR 663.508) provide some guidance by defining a program as one or more courses that, upon successful completion, lead to a certificate or degree, a competency or skill recognized by employers, or additional skills generally recognized by employers. Certificate or degree programs can be identified as “programs” according to this definition very straightforwardly. However, substantial ambiguity arises for individuals who may take variable sequences of courses, as they often do at community colleges. Although the specific approaches vary, states generally handle this dilemma by allowing vendors to self-define what constitutes a program for which they want to seek eligibility. Vendors, in turn, specify the course sequence and completion requirements as part of the application packet. Also, the same course sequence provided by the vendor at different physical locations will generally count as separate programs.

Taking this complication one step further, a state-organized workgroup in Oregon found that developing a clear definition of a training program required that they first clarify what they considered to be an intensive rather than a training service. This group created new service categories within intensive service to represent a number of short-term training options, including courses in computer literacy, professional development skills, and individual employment skills, that involve less than 600 hours of classroom time. Because these courses are classified within intensive services, customers can enroll in them without having been issued an ITA. Although the state does not require vendors to place these courses on the state ETP list, it does recommend that vendors do so for the sake of quality assurance.

States are grappling with a variety of other definitional issues that will also determine how vendors' performance is measured. At the time of our site visit, few states had resolved these issues, but most were well aware of their implications. Some of these discussions concern how to define an enrollee. Along these lines, one concern that vendors have, particularly community colleges, is that some persons might enroll in the first course of a sequence that makes up a "program" on the ETP list without necessarily intending to complete the entire sequence. Others (e.g., retirees or those pursuing an avocation) might complete the program but have no intention of obtaining employment in a related field. Under such circumstances, vendors worry that their completion and employment rates might look quite dismal if such persons are counted as enrollees, without it necessarily reflecting anything meaningful about the vendor's performance. At least a few states have decided to resolve this difficulty by counting individuals as enrolled only if at the outset they formally declare their intention to take all courses in the sequence and pursue employment at the training's conclusion. Maryland provides an example of this.

Once the program has been defined and the cohort of those enrolled has been specified it would seem straightforward to identify completers. When to count a person as a non-completer is proving somewhat more controversial, however, because some states want to make allowances for the fact that some enrollees may interrupt their training for family or medical, while still intending to complete eventually. One state in our sample is fairly hard-nosed in its definition and identifies non-completers as those who failed to complete during the reporting period if they were expected to do so. Another state measures completion at one-and-a-half times the normal expected

completion date, to allow for the possibility that the student experienced a temporary interruption of training.

Data Collection

Because so many of the decisions about how to define performance were still being debated in the case-study states at the time of our site visits, little information was available about data collection strategies. Nonetheless, we can make some general observations based on the progress that states have made or plans they had developed.

Not unexpectedly, we learned that virtually all of the states are developing procedures to use UI wage records to collect employment-related performance data, as is required by the legislation. Only one state, Nebraska, expressed a serious concern about confidentiality issues that might preclude this possibility, but even it was confident that they would be resolved satisfactorily. States cite multiple reasons for relying on UI wage matching so heavily. These include the imperatives of ensuring that data are collected from a reliable source and in a uniform manner across all vendors. Moreover, using this source substantially relieves the burden on vendors, which is a key consideration if one is concerned about inducing them to apply for eligibility. In short, the state has the resources and technology to collect employment information very readily, whereas many providers do not.

At the same time, the drawbacks of using UI data were recognized very clearly by our state respondents. These include the long time lag between when an individual begins employment and when the associated employment information is available from the appropriate state agency. Incomplete coverage was also mentioned, including the fact that some types of employment will not show up in UI files (e.g., self-employment), nor will employment in another state (without an inter-state agreement, along the lines of the Wage Record Interchange System).¹ For these reasons, two states have already decided that vendors could supplement UI data on employment with information that the vendors gather from their own sources (e.g., surveys), if they choose. Other states are still weighing this possibility.

By contrast, data on program completion rates will typically be provided by the vendors themselves. In an exception, one state is planning on receiving individual-level

¹ The Wage Record Interchange System has been created to allow states to conduct matches with other states' UI files, but participation in this system is voluntary.

enrollment data files from the vendors, from which it will compute each program's completion rate. It believes that this strategy not only eases the burden on vendors, but is the best way of ensuring data quality and comparability. We emphasize that, with a few exceptions, these decisions were tentative, as states are still formalizing their intended procedures.

Because of the very vocal concerns of vendors about the problems and hardships of collecting performance data, a few states have exercised creativity in an attempt to ease the burden of collecting performance information for their providers as best they could. For example, Pennsylvania, along with a few other states, has adopted a hardship waiver for its providers who can prove that collecting performance data will cause a major burden to the training organization. Georgia hoped to use performance information from accrediting bodies in the state as an alternate means of collecting performance information for the CRS, although state officials are finding that most accrediting bodies are not very confident of the reliability of their own data and are in fact looking to the state's CRS to meet their own informational needs.

Another state, Texas, also exercised resourcefulness to ease the burden of collecting performance information for their providers. One strategy that this state developed was to enable providers who are approved by the Texas Higher Education Coordinating Board to use data on program completion rates required for certification from that body in lieu of providing data explicitly to measure completion in accordance with the CRS, on the grounds that the former is substantially similar.

PAYMENT SYSTEMS

Because many of the sites used voucher-like systems in the past, there is relatively little change in the payment systems that they used. For example, the Pittsburgh, Allegheny County, and the Atlanta Regional local areas used the identical methods of contracting and paying vendors that they had used under JTPA. In all those sites, the financial offices of the LWIAs executed non-financial agreements with vendors on the eligible provider list. When a participant receives an ITA, he or she presents the voucher to the training vendor, who then submits an invoice to the LWIA's financial office to be paid.

Carrying over payment methods from JTPA eased the transition to the ITA system, but some administrators noted that these "legacy" methods are cumbersome and ill suited to the requirements of a market-based system. Some of the sites indicated in their grant

applications that they wanted to modernize their payment and financial tracking. Some planned to add financial components to their ITA computer systems to track expenditures and provide for payment to vendors. Others wanted to develop systems that would allow customers to track their ITA balances electronically. However, for the most part these financial systems were still under development at the time of the site visits.

In another innovation, one site, the Three Rivers Local Board, planned to introduce a "smart card" payment system, which would not require the LWIA staff to prepare warrants and issue paper checks. It planned to use its funds from the demonstration grant to work with a local bank to develop such a smart card. Board administrators hoped that this would free them from the strictures and costs of the cumbersome public financial system. Unfortunately, the board had to drop the idea because it proved too expensive for small-scale ITA operations.

However payments are made, they can be tied to performance benchmarks realized by the trainee. Only one site, Southwest Connecticut, was exercising this option. In this site, the local area would pay 50% of the tuition to its vendors only when the participant completed 50% of the program, an additional 25% when the participant completed the training, and the final 25% when the participant obtained employment.

SUMMARY

The development of the ETP list and consumer report system is extraordinarily complex. Not only do they require an enormous investment on the part of local areas, state administrators, and, to some degree vendors, but thorny conceptual issues need to be resolved, relating to what the CRS should represent, what benchmarks should be used to establish eligibility for vendors, and how performance measures should be defined and measured, among other issues. With few exceptions, the states and local areas in our sample had made limited progress in resolving these issues.

Decisions or policies that had been established reflected substantial variability across sites, as each endeavored to shape the ETP and consumer report system in a way that it felt would best meet the needs of the diverse stakeholders involved, including program administrators, trainees, and public and private vendors. For example, some states were developing a CRS that included non-ITA approved vendors, in an effort to improve the comprehensiveness of the system for customers in core services and leverage the resources they were spending on system development; others, by contrast, were developing a narrow list that included just eligible training providers under WIA.

Similarly, some were casting a wide net by endeavoring to get as many vendors initially approved to accept the ITA as possible, with the thought that they would winnow the list in the future once data systems for measuring performance were better established; others, by contrast, were more tentative starting out and felt that their interests would be better served by starting with a smaller list of vendors whose quality they could attest to, with the plan for expanding the list once the basic infrastructure was better established. At this stage of system development, states also varied greatly in the complexity of the computer interface that they offered customers and the comprehensiveness of the information and tools that were available on-line.

Although all states need to make substantial progress to attain their complete vision for system development, no doubt the biggest stumbling block that all of them have realized thus far has been with respect to how the performance of vendors should be measured. Conceptual issues having to do with the definition of key terms—such as who counts as an enrollee or completer—are still being resolved in all but a few of the states. Operational issues are just as complex, such as establishing the data interchange systems for UI matching.

Clearly, substantial work remains to be accomplished if WIA's vision for an ITA training system with rich information to support customer choice is to be realized.

V. TRAINING VENDORS: INVOLVEMENT AND PERSPECTIVES

This chapter discusses the ITA system from the point of view of the institutions that provide training to ITA holders. Training vendors are a diverse group. We use this diversity as a departure point to view the network of vendors available to any particular local demonstration site and examine how that network serves the needs of the ITA customers and system. Our discussion of vendor interactions with customers focuses on several key factors affecting customer choice, including the number of vendors and programs, vendor accommodations to student needs, and recruiting practices. We conclude the chapter with a general assessment of the impact of ITAs on the number and types of vendors and on the general structure of the training marketplace.

TYPES AND NUMBERS OF VENDORS

In the local areas we studied a wide variety of vendors are present, running the gamut from four-year colleges to proprietary vocational schools to community-based organizations. They are quite distinct in the way they relate to the ITA system and the training market niches they fill. We looked primarily at public and proprietary schools in this first round of site visits, and found important distinctions between them.

The public institutions, especially community colleges, are ubiquitous and represent an important training resource in all the sites. Community colleges are notable for their lower tuition costs, breadth of offerings, and access to degree programs. However, the colleges tend to adhere to a regular academic calendar, with courses beginning at only a few regularly scheduled dates. Moreover, because community colleges are typically very large institutions, non-traditional students can easily feel lost in this setting.

By contrast, the proprietary schools whose representatives we met characterized themselves as being active in the marketplace and highly responsive to customer needs. For example, a vocational school that trains people in a number of manual trades in Pittsburgh and Allegheny County offers shorter term evening training in some subjects for currently employed workers. This school offers an associates degree in many of its programs, and, like other proprietary schools that we studied, has linkages to degree-granting four-year colleges. The school also would establish a class whenever a public agency could bring together 15 students.

Some proprietary schools, especially those in large metropolitan areas with a large variety of schools, specialize in serving particular groups or providing particular learning environments. In the Atlanta Regional local areas, for example, where there is a strong emphasis on computer training, some schools specialize in serving dislocated workers while another serves low-income adults with limited basic skills. The latter school offers a “boot camp” approach through which instructors helped students with a range of basic, life, and labor market skills in addition to teaching them occupational skills. Other schools use different curricula and pedagogical methods designed to appeal to different types of students. For example, one computer school uses an intensive approach in the classroom and expects students to complete practice exercises on their own in the computer labs. Others offer a more structured classroom environment with greater reliance on the instructor demonstrating techniques to solve relevant computer and network problems.

While we did not visit with any community-based organizations that provide ITA training, Local Board and One-Stop staff noted that many of these organizations provided training to economically disadvantaged adults under JTPA, but are not likely to be successful under an ITA system because of their traditionally narrow customer base. In addition, their frequent reliance on contract training puts them at risk of losing more customers than they might gain in a competitive marketplace. Further, they are usually thinly capitalized and are likely to have difficulty coping with an irregular flow of ITA students.

Not only types but also sheer numbers of vendors are important in an ITA system, because a larger number of vendors and programs obviously contributes to enhancing customer choice. Because the number of training vendors generally is larger in the demonstration sites located in large metropolitan areas, customers in these areas will generally have a greater degree of choice. For example, at the time of the site visits Baltimore reported 70-80 vendors, each with about 5 or 6 programs. Macomb-St. Clair and Indianapolis had 349 and 240 programs respectively. By contrast, Nebraska had only 100 vendors statewide. Not surprisingly, our urban respondents felt that they had a good network from which customers could choose. Yet, even our respondents in rural areas and smaller urban areas considered their vendor lists to be sufficient to provide ITA customers with good quality training even though there were fewer choices.

Unfortunately, the range of choice may decline when subsequent eligibility begins, regardless of the area’s population density. Texas had 8,000 programs statewide for

initial eligibility, but that number fell to 1,000 for subsequent eligibility. Moreover, the number may fall even further if more of the state's community colleges decide not to participate after the first year of subsequent eligibility, as they have threatened to do because of their objections to the performance tracking requirements of the eligible provider list. Staff in the Capital Area (Raleigh), which has over 200 vendors with a wide range of programs, also expect their vendor list to contract substantially once full performance information is required.

Some local areas are trying to counteract these trends by expanding the list of vendors through outreach, while others are trying innovative methods to tap new sources. The Lancaster County LWIA in Pennsylvania, for example, is using demonstration grant funds to increase the scope of its vendor group by linking the ITA to the training resources of local employers, as follows:

This LWIA is working to include training provided by the area's businesses for its own employees as part of the ETP system, with the expectation that the training would thereby become accessible to ITA holders not employed by the firm. Such an arrangement is believed to be beneficial to employers, as it enables them to share their training resources, to some degree defray the costs of their own in-house training, and participate as part of a larger training marketplace. At the same time, it benefits the WIA system by increasing the training choices for ITA and other WIA participants. Thus, Lancaster expects that this innovation will create a more efficient local market for training. However, it is still working on methods to measure performance for the employer-based, in-house training.¹

VENDORS AND CUSTOMERS

Because they can no longer count on contracts, or even direct referrals, from job training, as they may have in the past, vendors must be responsive to customers' needs and, potentially, engage in some direct recruitment of ITA holders if they are to be successful training vendors under WIA.

Vendor Responsiveness to Customers

Vendors can be responsive to customers in several ways. Most importantly, they can offer successful programs that prepare ITA holders for good quality jobs that are in demand and work to ensure that their trainees complete programs and get placed at high wages. This is in essence the training marketplace that WIA envisions. However,

¹ We have recently learned that this effort may be abandoned, as a new state law is requiring that all training vendors must be state certified.

vendors may also respond to customers' needs through improvements in accessibility, such as reducing costs or adjusting the timing, location, or duration of programs and adding auxiliary services.

On the topic of costs, our respondents generally did not suggest that vendors are responding to customers through pricing mechanisms, even in those sites where training costs regularly exceed ITA caps, and Pell grants and ITA holders must contribute personal funds or take out loans to make up the difference.

The timing of programs plays an important role in responding to customer needs and has great immediacy to prospective trainees. Proprietary schools are widely considered to be quite responsive in this regard. Some schools, especially those providing computer training, offer open entry so that a student can begin the training at almost any point. One such school in the Atlanta Regional local areas, for example, accepts students at any time, although it suggests to prospective students that the best starting times are on Mondays and Wednesdays. Although it is less common, community colleges can also be flexible. A community college in the Macomb-St. Clair area, for example, increased the frequency with which it offers its courses, from three times-per-year to five times-per-year, to be more responsive to its prospective ITA students.

Duration of the training period is another dimension that is important to students. Unemployed workers naturally want to reduce the duration of their unemployment. In addition, when they are receiving unemployment insurance, trade readjustment allowances, or another form of temporary income support, they have a strong incentive to conclude their training before the income support expires. Further, in tight labor markets, trainees are eager to complete training as soon as possible to take advantage of favorable employment conditions. Several respondents noted that proprietary schools often provided shorter, more intensive programs than their community college counterparts. Nevertheless, we found at least one community college in Metro Portland that is working with the One-Stop center to develop shorter-term training to meet the needs of ITA holders who are increasingly interested in shorter-term training so they could become employed quickly.

The wider availability of auxiliary services for ITA holders, such as counseling, study skills workshops, and placement assistance, which we discussed in Chapter III, is another feature that distinguishes proprietary schools from community colleges. The proprietary schools commonly deliver such services directly to their students, while to

take advantage of comparable services in a community college, students typically must seek out those services on their own.

Recruiting Customers

Some training vendors, especially those who may be heavily dependent on ITA customers, are not passive players in the ITA process, simply waiting for customers to choose them from the eligible provider list. Instead, they may try to actively market their services to customers and staff within the One-Stop centers.

Perhaps the most common technique that vendors use to recruit potential ITA holders is the reverse referral, whereby participants come into the One-Stop center seeking an ITA because they were referred there directly by a training vendor. This practice was common under JTPA, when most participants were slated to receive training. In this model, a vendor recruited an individual who was interested in training, through advertising, word-of-mouth, or other marketing techniques.² The vendor then referred the person to the JTPA program with the expectation that the individual would be determined eligible for JTPA and sent back to the school for training. The ITA process under WIA introduces considerable uncertainty into this practice. If an individual were referred back to a One-Stop center, that person would first have to progress through core and intensive services and be determined eligible for training, a less likely prospect than under JTPA. Second, the individuals would go through the ITA decision-making process, during which they might choose another vendor from the eligible provider list. While respondents in one local area think that these uncertainties would tend to diminish the use of reverse referral, we found some evidence that the practice is continuing. One vendor in the Atlanta Regional local areas, which makes reverse referrals extensively, was quite concerned about the risks involved. One of its officials wanted to place a staff member at the One-Stop center to help guide their reverse-referred people through the process to ensure that the school would not lose them.

Vendors' on-site presence at the One-Stop center can occur in other ways as well. At least two local sites invite vendors into their One-Stop centers to provide One-Stop customers in core and intensive services with labor market information about the occupations for which they provide training. In one site, training vendors also provide

² In some areas, vendors held outreach contracts from the Service Delivery Areas to find participants, determine their eligibility, and enroll them in their own training services.

direct services such as career exploration or job search workshops. Some center staff, however, find that these workshops are often thinly disguised recruiting efforts and they make efforts to ensure that the content remains legitimate. Elsewhere, the Atlanta Regional local areas invite vendors to their centers semi-annually to make formal presentations to the counseling staff about their services.

VENDORS' RESPONSES TO THE ITA SYSTEM

Vendors face two major tasks in providing services under the ITA system, applying for eligibility and submitting performance data. With respect to the first of these, most of the vendors we talked with reported that the application process was fairly easy. While they still must fill out multi-page applications and identify all their programs, the absence of performance reporting requirements in 11 of the 13 states eased some of the controversies involved in creating the eligible provider list during initial eligibility. In fact, most vendors felt that the application process to get on the initial eligible provider list was fair and reasonable, although some found it to be burdensome.

The burden will become much greater under subsequent eligibility, when performance information is required. Reactions of the community colleges to this requirement are generally quite different from those of the proprietary schools. We found the former group to be, on average, quite distressed with the idea that they would need to provide performance data. For example, in SELACO, the local community college did not apply for the eligible provider list because of the performance requirement. In Texas, the number of programs dropped statewide by about 80% from initial eligibility, when no performance information was required, to subsequent eligibility. Nearly all of this drop came as a result of the community colleges' refusing to participate.

Three types of objections were raised by the community colleges. First, several of them indicated that their open admission policies would harm their performance compared to proprietary vendors with more selective admission policies. For example, in Baltimore, state law requires the Baltimore City Community College to admit all applicants regardless of their preparation. Consequently, it experiences a 50% dropout rate. Similarly, a community college in Cincinnati also has an open admission policy and a high dropout rate. Under these circumstances, these institutions felt, their performance results could be highly misleading.

The second principal argument we heard is that the costs of obtaining the performance information required of them by WIA are too high. For example, Indiana's

public postsecondary schools consider ITA customers to be an insignificant part of their revenue stream. With a budget of nearly a billion dollars, the schools are not eager to spend the resources to meet performance indicator requirements for the relatively few customers they might receive through ITAs.

Finally, four-year colleges in several sites (Ohio and Pennsylvania) and the community colleges in several others (Greater Omaha and Indianapolis, among others) argued that gathering performance information related to employment outcomes was inconsistent with their educational role. These colleges view their primary mission as providing education, often leading to an associates degree or preparing students to transfer to four-year institutions, rather than providing job training. As such, they feel that a focus on employment outcomes distorts their sense of purpose.

States and local sites have made efforts to address these concerns in some cases. In Texas, for example, local marketing efforts were not successful in persuading many community colleges and technical schools to participate in the program beyond initial eligibility. The WIA administrative agency had to intervene with the state's community college board to get these public institutions to participate on the eligible provider list for the first year of subsequent eligibility. However, these schools have already served notice that they may not re-apply in the second year of subsequent eligibility. Similar high-level efforts by state officials were mounted in Pennsylvania to persuade Pennsylvania State University to participate, as it is a major provider of training with satellite campuses throughout the state; no decisions had been made at the time of the site visit. In addition, in Pennsylvania, the community colleges in the Three Rivers WIB areas are also reluctant to provide performance information. But these schools are locally controlled, and the workforce development staff believe that the top city and county political leaders will exert sufficient political pressure upon the elected trustees who govern the community colleges to get the colleges to participate.

In some other areas, the community colleges are still participating, even without such pressures. These colleges emphasize their economic development role or feel they have an obligation to educate or train residents who are not as well served by traditional four-year educational institutions. For example, the community college in Macomb-St. Clair feels that its community-service obligations outweigh any particular cost-benefit analysis that it might apply to ITA requirements.

Proprietary institutions, on the other hand, expressed few reservations about supplying performance information. Those institutions that were heavily dependent on public funds were tracking performance information under JTPA and other programs, so that compliance with ITA requirements imposes no additional burden. Other proprietary schools that were less dependent on workforce development funds also indicated that they are already tracking performance for eligibility for Pell grants, accreditation, or state licensing, or because they are strongly market-driven. Others felt that the business from ITA was worth the cost of tracking performance. For example, in the Atlanta Regional local areas, the New Horizons computer school, a unit of the world's largest independent computer-training school, pursues a corporate strategy to include ITA and other publicly-funded students.³ School officials believe that JTPA was a good source of revenue and its students performed very well. They expect similar results under the ITA system.

RESHAPING THE TRAINING MARKETPLACE FROM JTPA

Structure of the Market

The prototypical ITA system seeks to restructure the training marketplace in several ways. To begin with, it seeks to dramatically increase the number of vendors from which customers can choose, improve quality and reduce costs through competition, and drive the system as a whole to better performance outcomes. Additionally, it shifts the fundamental market relationship from that between vendor and workforce agency to vendor and participant. Under JTPA, training vendors were service providers to the Service Delivery Areas and the customer relationship for training vendors was with the workforce development agency. While agencies were required to procure those services through competitive, arms-length procurements, there was often a close and ongoing relationship between agencies and vendors, especially for vendors with many JTPA trainees or in areas with few training providers. WIA, in contrast, changes the basic relationship. Under an ITA system, the LWIA functions largely as a neutral broker, qualifying credentials from vendors who then establish a customer relationship directly with the end customer.

However, while the structural transition in the customer relationship has occurred, evidence from the demonstration sites that the ITA system is having any substantial

³ The level of effort to include publicly -funded trainees, however, varies by location in this franchised operation. The school in the Atlanta Regional local areas serves mostly dislocated workers, in part because of its location, which is far from low-income neighborhoods.

effect on the structure of the marketplace for training at this early stage is limited. As we noted in Chapter III, the customers—mostly low-income adults and dislocated workers—are essentially the same as those trained under JTPA. Moreover, since many of the sites already eliminated many of their class-size training contracts in favor of individual referrals and vouchers, one fundamental element of the structural change—the customer relationship—had already occurred. Predominantly, local sites reported that most of their vendors from JTPA continue to provide service to the ITA programs. Only a few sites reported that they recruited a substantial number of new vendors that might increase customer choice. Vendors in the sites that had previous experience with customer choice, with one exception, reported that there is little real difference in providing training to JTPA and ITA customers. In some cases, our local respondents noted that the administrative relationships were precisely the same as they were under JTPA.

The major difference that vendors are realizing in most sites is that they have fewer customers under WIA than they had under JTPA. To some extent, this is a problem of timing, because WIA only recently started and few customers have worked through the prior levels of services to get to ITA training. In other cases, there is an expectation of a permanent reduction in the number of trainees, because some LWIAs expect to have less money available for training than previously. Further, there is an expectation that effective core and intensive services will be successful in placing some percentage of customers in jobs, thus reducing the need for training investments.

These factors reduce the aggregate demand for training and are thus likely to have some adverse effect on the supply of training. These adverse effects are most likely to fall on certain proprietary schools and community-based organizations that were most dependent on JTPA business. Some of these proprietary institutions are vulnerable to disruption under WIA, and even bankruptcy. Several sites noted that some of these schools and organizations have already closed or were on the verge of closing. At one site, these proprietary schools are responding by modifying their recruitment strategies to emphasize private-pay customers.

Dependency on workforce development funds is even more acute for community-based organizations, which often played a substantial role in providing training by contract to economically disadvantaged youth and adults under JTPA. These organizations face greater difficulties under the ITA system. First, the presence of the ITA as the primary training vehicle reduces the role of contract training at most sites. Second, these organizations may have difficulty competing in the ITA marketplace

because the performance measures for community-based organizations may compare unfavorably to other training institutions when customers choose schools. Since none of the states indicated that they had immediate plans to adjust performance to account for differences in participant characteristics, the CBOs' emphasis on training lower-skilled adults whose outcomes tend to be lower than other groups would make them show poorly in a simple comparison of performance.

But even if they surmount the performance issue, these organizations are often inadequately capitalized and may have difficulty sustaining operations if they have an uneven flow of participants. In the Atlanta Regional local areas, planners noted that many community-based organizations lacked adequate capital and were already vulnerable to year-to-year shifts in funding under JTPA. Given customer choice in the ITA system, they could expect to endure additional periods with reduced cash flow. Several had already closed their doors. The results for community-based organizations thus appear quite uncertain.

Tuition Costs

While costs are relatively less important to individual customers, they are naturally quite important to the LWIAs, which, in most cases, have limited funds for training. As noted earlier in this chapter, there is little evidence that the ITA system has any impact on the tuition that vendors charge. Only one vendor, a truck driving school that was in fact quite dependent on ITA customers, reduced its tuition because of the ITA cap. Nor do ITAs appear to have any impact on the cost differential between public and private schools. Several respondents indicated that their community colleges had always charged much lower tuition than the proprietary schools, and the differential is the same under the ITA system. On the one hand, the lower tuition charged by community colleges enables LWIAs to provide more ITAs from this source with the same pot of money. On the other hand, among those LWIAs that provide extensive supportive services, the lower tuition at community colleges is offset to some degree by the longer duration of its programs, compared to proprietary schools, which implies that supportive services must be provided over a longer period of time. A longer duration increases the cost of supportive services to the point that, in at least one area, the administrators estimate that there is no net

difference in the total costs between training an individual at a community college and at a proprietary school.⁴

One area is trying to reduce the cost of training from all vendors. The Three Rivers WIB is using demonstration grant funds in an effort to increase competition among training vendors and drive costs down. Specifically, the WIB is working with a for-profit, Internet start-up company that is trying to create a bidding process on a web site so that public and private sector organizations seeking training services for their incumbent employees could aggregate their requests to help reduce the average cost of training. For example, a One-Stop center might need computer network training paid for by an ITA at the same time that a small business needs a similar course for one of its employees. The web site would bring the two requests together and seek a bid from a training provider that they expect would be lower than either organization could obtain on its own. The demonstration grant investment will help the start-up company test the viability of the concept and prepare for investor financing. The Local Board views this activity as a mechanism to leverage WIA funds to increase the efficiency of the local market for training, regardless of whether funds come from public or private sources.

SUMMARY

Congress intended that the ITA system would substantially revamp the training system and create a training marketplace. At this point, it is much too early to tell exactly what this new system will look like. Nonetheless, we observed a number of persistent elements in the relationship between training vendors and the public workforce development system in the demonstration sites as the system makes its transition from JTPA training to an ITA system. In the first place, because many of the sites had already made the transition from class-size training to individual referrals or vouchers, the basic relationship between the workforce development agency and the training vendors did not change significantly. Second, the demonstration sites are predominantly training the same types of participants, dislocated workers and low-income adults, as they did under JTPA. Third, at least under initial eligibility, the roster of vendors is largely the same as that which existed under JTPA. And finally, many local areas do not have sufficiently large labor markets to sustain competition among vendors.

⁴ In one state, we found that some vocational training programs at the community college must be self-supporting, so their cost structure may not differ as much from proprietary schools as it does where there are substantial tax subsidies to the program.

Alongside the elements of continuity were a number of important changes. With the loss of contracts in those places that were still using class-size contract training, institutions that were heavily reliant on workforce development funds were facing potential trouble, especially if they were not adequately capitalized and able to withstand the more variable customer flow under the ITA system. Second, the ITA system, and especially the vendor reaction to its requirement for the submission of performance information, exacerbated the differences that long existed between public postsecondary institutions—chiefly community colleges—and proprietary schools. Some of the public colleges are threatening not to participate in the system under subsequent eligibility, either because they are unwilling to bear the cost of tracking certain performance information or because they are concerned that their performance outcomes will compare unfavorably to other schools that have different student characteristics or are not comparable in other ways. Proprietary schools, on the other hand, are very comfortable with the performance information requirements.

Thus, a number of factors are likely to reduce the likelihood of a competitive marketplace for training. If the public institutions do not apply to be eligible providers in certain areas, their absence will reduce customers' training options considerably. Where public and private institutions now compete, the absence of the public schools would substantially dampen choice from a customer perspective. And even if no major players drop out, the differences among the various types of vendors may lead to segmented market conditions in which little actual competition occurs.

Nevertheless, it is too early to draw firm conclusions about the likely structure of a mature ITA training market because there are still a number of key features of the system that remain to be implemented. First, the low enrollment of participants with ITAs at the demonstration sites at the time of our site visits made it difficult for our vendor respondents to comment on the system. This low number of participants may contribute to the reluctance of new vendors to enter the system. Second, with one exception, states had not yet entered the period of subsequently eligibility; as such, vendors for the most part had not yet been held to performance benchmarks of the sort mandated by WIA and did not yet need to comply with the full range of reporting requirements that will eventually be necessary. And finally, very few of the states had in place completed and fully automated consumer report systems that customers could use as a basic source of information.

Until these components of the system are fully in place and vendors have had an opportunity to react to the full system, it is difficult to know what the final shape of the ITA training marketplace will be. This evaluation's Final Report, to be based on another round of site visits that will be conducted in the summer and fall of 2001, should have much to say about the impact of these subsequent system developments.

VI. SUMMARY AND PRELIMINARY OBSERVATIONS

Our site visits to study the ITA/ETP demonstration grantees were conducted at a time when many of them were still developing key aspects of their systems. Moreover, for a variety of reasons—including fears of funding shortfalls, a strong economy that makes job placements relatively easy to obtain, One-Stop centers' apprehension of authorizing training unless it was absolutely necessary, and the need to have customers go through core and intensive services before training could be offered—in some sites no more than a score of customers had been issued an ITA, out of hundreds of WIA adult and dislocated worker enrollees. Clearly, the systems we saw were for the most part very much a work in progress. At the same time, all sites had made substantial progress, both in developing policies to serve customers with an ITA and in establishing an eligible provider list and consumer report system.

CONTEXT

Their progress was facilitated because most were not starting their ITA system development from scratch when the ITA/ETP demonstration grants were awarded. In fact, almost all had moved sharply away from the exclusive use of contracted training in the waning years of JTPA and towards individual referral methods, and over one-half of them claimed previous experience with using vouchers for training, either as a CMA demonstration grantee or as part of some other pilot program. One-Stop implementation grants that they had received from DOL during the mid- to late-1990s also helped them establish the infrastructure that they needed to serve adult and dislocated worker customers in a WIA framework.

Building on this framework, the grantees were using their demonstration funding in very different ways, which in some ways reflected the nature and extent of their prior progress. Their grant objectives ranged from the very broad (e.g., develop ITA policies, build a consumer report system) to the quite specific (e.g., develop a code of ethics for vendors). In general, grantees that specified broader goals were not as far along in ITA/ETP system development at the time their grant proposals were prepared. By contrast, those that specified narrower goals had many elements of their systems already in place and were looking to enhance or refine them in some way.

Grant objectives can also be categorized with respect to their major area of focus. The most common cluster of objectives related to efforts to build electronic consumer

report systems. Again, this was specified in either very broad and sweeping terms or with some narrow element of the CSR in mind (e.g., building a customer messaging system). Capacity building was another key objective, but again the specifics varied. One grantee wanted to hire counseling experts to work with participants and coach case managers; another wanted to develop a curriculum for a peer-managed workshop; others wanted to develop and deliver training workshops for staff or develop computer modules that staff could access as a resource. The third largest category of grant objectives related to developing or testing ITA policies. Again, the specifics varied. One grantee is working in conjunction with several other local areas in the state to test alternative ITA policies, as a way of gathering information about which ones might be most effective; by contrast, another was trying to reduce area-to-area variation in ITA policies by trying to facilitate coordination and joint policy development. Finally, some grantees were using their grant funds to develop fiscal or tracking software or to automate the training provider application process.

CUSTOMERS' USE OF ITAS

All of the grantees had embraced the ITA model for providing training services and generally seemed enthusiastic about its possibilities for empowering customers. In fact, nearly all of them were planning on using ITAs for training adults and dislocated workers almost exclusively; only two expected to make regular use of contracted training for meeting the needs of special populations. However, several expected a sharp drop-off in the number of persons they would fund for training each year, citing what they felt was WIA's "work first" emphasis and funding limitations caused by their needing to expend resources on developing their core and intensive service strategies.

Regardless of the customer volume that they anticipated, sites needed to develop policies to guide the way that customers move through the service levels and make training choices. With respect to the first of these, WIA's emphasis on a hierarchy of services mandates that adults and dislocated workers participate in at least one core service and one intensive service without having their employment goals met, before training services can be considered. The legislation also requires that priority for training in the adult program be provided to public assistance recipients and other low-income individuals. Understanding how core and intensive services are structured, then, becomes key to knowing who accesses the ITA and under what circumstances.

The case-study sites varied quite a bit with respect to the policies and procedures that they established for this purpose. Some noted that customers whom the case

manager felt could obviously benefit from training were moved through core and intensive services quite quickly. In one case, for example, the core service might be a One-Stop orientation and the intensive service the development of the individual employment plan. Other sites had more stringent requirements before customers could move through to training—for example, by having case managers exhaust all reasonable possibilities that the customer might have transferable skills and/or requiring that customers spend at least several weeks in core and intensive services engaging in job search before training would be considered. Related to this distinction, some sites were prone to quickly move customers from self-service to staff-assisted core services, by adopting a staff interventionist approach; by contrast, others were much more inclined to let customers engage in self-directed job search at their own pace.

Another key difference across sites related to how intensive services were used as a prelude to training. Some sites felt that they could quickly (in core services) identify those who would need training services to meet their employment goals. Such individuals were placed in intensive services with the full expectation that they would shortly undertake training, so intensive services were focused on helping customers develop and refine their career and training plans. Other sites felt that intensive services represented another opportunity to identify transferable skills and improve job search strategies that might obviate the need for training altogether.

Despite these different general tendencies from one local area to the next, however, all the demonstration sites emphasized that guidelines were not meant to be followed rigidly and that they adopted a flexible approach to meeting customers' needs. Thus, in almost every site customers could move from core and intensive services to training in a matter of a day or two, if circumstances warranted. Similarly, it was pointed out to us that dislocated workers could often be more self-sufficient in their job search and career planning, while low-income adults often floundered on their own and thus needed staff assistance sooner. It seems, then, that a key tenet of WIA that services should be customer driven and based on the individual's own needs appears to be being followed.

The customer focus is evident as well in the process that sites use to help customers make training choices. We identified three models that sites use under various circumstances. These are informed choice, which occupies a broad middle ground, and, at either extreme, directed choice and free choice. According to the informed choice model, One-Stop centers ensure that those authorized for training receive ample information, guidance, and assistance, so that they can make prudent choices with respect

to the occupation for which they want to be trained and the vendor who will provide it. Within this framework, customers are generally given fairly wide latitude in making their own choices. This was by far the predominant mode in the sites we visited. Operationally, it meant that customers would be required to undertake a comprehensive assessment of their skills and abilities and engage in extensive labor market and other research, before an ITA would be issued. Front-line staff play a key role in serving as “guides” or “facilitators,” striking what seemed to be an appropriate balance between lending the benefit of their expertise while not being overly directive.

A key element that made the informed choice approach feasible was that assessment and research were required parts of the decision-making process. In addition to having participants undertake a comprehensive assessment and engage in labor market research, which were everywhere required, some sites required participants to conduct field research, such as by visiting several vendors and interviewing former trainees and employers who hire in that career area. Other sites required that customers attend workshops that are either given by case managers or are peer-managed (i.e., to promote a team approach to helping customers make choices). Sometimes also customers needed to submit a formal application, in which they identify the training field and vendor they have chosen and justify their decision on the basis of assessment results and the research they have conducted. As a consequence of following these steps to having their ITAs approved, customers would come to identify appropriate training choices on their own.

By contrast, a “directed choice” approach was characterized by the case managers’ playing a much more directive role. Only one site used this model predominantly, although others would use it under special circumstances, as when customers seemed unable to make sense of their assessment results or were reluctant to make judgements based on the research they had conducted. In these instances, case managers could be quite emphatic in steering customers to the choices that the case manager thought best.

Finally, the third approach, a “free choice” model, was also used sparingly. According to this strategy, case managers would essentially give customers free reign to make training choices, so long as the training field was for an occupation in demand and the vendor appeared on the ETP list. No site used this approach predominantly. However, customers who knew exactly what training they wanted to undertake before entering the One-Stop center, and who could justify their choice, often had their request honored with little difficulty.

Given the predominance of the informed choice model, then, our interviews and observations lead us to the conclusion that customers are effectively the decision-makers almost always. However, their choice is subject to certain limitations established by state and local policy. For example, in keeping with the WIA legislation, training can only be funded if it is for an occupation in demand. Some local areas met this requirement by drawing on lists developed by the state's labor market information research unit. Other sites used locally-developed lists, and a few had no formal lists but instead relied on the judgement of the case managers. Typically, where there were such lists, exceptions could be made so long as a prospective trainee could present evidence that a job would be available once training was complete; however, a few local areas allowed no exceptions whatsoever.

Other restrictions related to dollar or time limits. Nearly all of the sites set a dollar cap on the amount of the ITA that would be funded, but these varied widely across sites, from a low of \$1,700 to a high of \$10,000. Tuition and fees, as well as books, uniform, and equipment, would normally be funded by the ITA, and supportive services would be provided from a separate pot of money. In keeping with WIA, trainees were typically expected to apply for a Pell grant, and amounts they received from that source were often applied to the cost of the training, with the ITA paying any balance due. Nearly all sites also had time limits on the duration of training that they would support, which they usually set at two years. Overwhelmingly, both dollar and time limits were imposed by local areas; although they were allowed to impose limits of their own, states generally felt that these decisions should be left as a local prerogative.

Even with these limits, sites could be investing a substantial amount on each trainee. For that reason, and also because performance accountability is so central to WIA, sites clearly had an interest in doing what they could to ensure that their ITA holders completed the training and obtained a well-paying job afterwards. Thus, all sites made provisions for keeping abreast of the trainee's progress and attempted to address problems as they arose. Some sites were more proactive than others were, but virtually all maintained at least monthly contact with WIA participants in training.

Given that their performance is publicly displayed as part of the consumer report system, vendors also have a clear stake in the trainee's success, and thus they too played a part in monitoring the participant's progress. Along these lines, proprietary schools—at least those that we visited as part of this study—seemed very attentive to students' needs for extra assistance, and were aggressive in helping their students find jobs once the

training was completed. By contrast, although community colleges offered counseling and placement services, they were typically less proactive in their approach.

DEVELOPING THE ETP LIST AND CONSUMER REPORT SYSTEM

A key element of the training system envisioned by WIA is for there to be clear accountability and strong information systems to support customer choice. The eligible training provider (ETP) list and consumer report system (CRS) constitute essential tools for these purposes. ITA holders can procure training services only from vendors who meet the eligibility guidelines imposed by states and local areas for inclusion on the ETP list. Information about the vendors' performance should then be displayed in a consumer report system, along with whatever other information that might help support customers in their decision making. Developing the ETP list and consumer report system proved to be extraordinarily resource intensive.

A key issue that states grappled with as they assembled the CRS was deciding whether only ITA-approved vendors should be included or whether it should include non-ITA approved vendors as well. About half of the states adopted each approach. Those that were developing a restricted consumer report system emphasized the primary objective of supporting training customers in selecting a vendor; those that opted for the broader approach were giving priority to developing a resource for the universal customer in core services and making the broadest possible use of the resource they were developing. Using different logic, both also saw their approach as serving as an inducement for vendors to seek ITA eligibility.

Regardless of the approach they took, sites were generally eager to widely publicize the ETP application process and have as many vendors apply for eligibility as possible. In some cases, states took the lead role, such as by sending an ETP application packet to all state-certified training vendors in the state. In other states, local areas took the lead role, such as by communicating with their former JTPA providers or holding informational sessions in the community. Most states attempted to automate the application process, both to make it easier for vendors to apply and also to expedite the state's and local areas' roles in processing applications and entering the data into an electronic ETP listing. Those states without an electronic application found the process substantially more burdensome.

Only two states, Missouri and Texas, set performance elements for initial eligibility. The others dispensed with such requirements, because they felt ill equipped to

make decisions regarding performance benchmarks at such an early stage. In general, vendors were not even required to submit performance data as part of their initial application. States felt that doing otherwise would impose a substantial burden on vendors that they were not yet prepared to meet.

In keeping with the legislation, the approval process for initial eligibility basically worked the same way in all the sites we visited—local areas would first review the applications, make a judgement of whether the application should be approved, and then pass the application on to the state, along with the local area's recommendation, for final disposition. The one difference was that some states had vendors submit their applications directly to the local areas, while other states had vendors submit their applications to a central state clearinghouse, which then forwarded the applications to the local areas for their review. The latter approach was viewed as easier for vendors, who would need to submit just one application for each of its programs rather than multiple applications to multiple local areas throughout the state; it also standardized the application process somewhat.

Regardless, a concern that local areas expressed was having a vendor's application for eligibility denied by one local area but approved by an adjacent one. Given that ITA holders can hypothetically choose any vendor on the state list, presumably a trainee could select a vendor that the local area funding the ITA had disapproved. Several of the case-study sites were attempting to develop a regional approach to ETP review to eliminate this possibility. The case managers in another site admitted that they could not envision authorizing an ITA if the customer had selected a vendor that the local area had not approved, except under exceptional circumstances.

Another concern was that many states anticipated a sharp drop in the number of vendors who were approved once subsequent eligibility began. As mentioned, only two states imposed performance requirements for initial eligibility, deliberately with the thought that they wanted as many vendors to apply as possible. Similarly, few reporting requirements were imposed, beyond asking the vendors to provide basic information about each of their programs, such as the duration of training and its costs. But, for subsequent eligibility, vendors must be prepared to begin submitting performance information about their programs, relating to the completion rates and employment outcomes of trainees, including those that were WIA funded and others. Many vendors, especially community colleges, have balked at these requirements. They viewed the time and effort necessary to assemble the necessary information as not worth the trouble,

given that they anticipate serving relatively few WIA-funded trainees. As open-enrollment institutions serving diverse community needs, some community colleges also feel that their measured performance could misrepresent their actual success, given that some of their non-ITA enrollees might lack adequate preparation for training or others might not have employment objectives in mind. The only state in our sample that had entered subsequent eligibility at the time our site visits were conducted saw an 80% drop in vendors' applications, primarily for these reasons.

Another reason why the ETP list under subsequent eligibility might be appreciably smaller than the initial list is that all states will presumably impose required performance benchmarks for subsequent eligibility, while only two states did so for initial eligibility. Only four states—Texas, Missouri, Pennsylvania, and Maryland—in our sample had decided, even tentatively, what their performance requirements would be for subsequent eligibility. Nonetheless, all were grappling with where to strike the balance between setting the minimum requirements high enough to reflect their high expectations, while not setting them so high as to exclude so many vendors that participant choice is seriously compromised.

Definitional issues were also presenting serious conceptual hurdles. For example, even at the point of initial eligibility states needed to make clear what would constitute a “program” for purposes of the ETP list. Thereafter, as they attempted to measure performance for subsequent eligibility, they needed to decide how key terms would be defined, such as who counts as enrolled and what constitutes a completion. Given the fact that many community college enrollees may take variable sequences of courses with different employment and other objectives in mind, states were generally allowing vendors to self-define programs and some were counting as enrollees only those who declared their intention to complete the entire sequence of courses that made up the program, with employment as the intended objective.

Amassing the data to measure performance, however the measures were defined, also will prove challenging. In keeping with WIA requirements, states were planning on relying heavily on using Unemployment Insurance wage records for measuring outcomes that were employment related. Thus, vendors would forward the social security numbers of enrollees to the relevant state entity, who would then conduct the UI matching on the vendors' behalf. This approach seemed to make the most sense from the standpoint of ensuring completeness, reliability, and comparability. However, the well-known limitations of UI data (e.g., its inability to capture employment in non-covered sectors

and, without inter-state agreements, in other states) have led at least two states to allow vendors to supplement UI results with employment data from their own sources (e.g., surveys). Other states were still weighing this possibility.

In contrast to employment outcomes, where the states will bear most of the burden in data collection on the vendors' behalf, most states are expecting vendors to supply data on their programs' completion rates. Connecticut, however, is considering computing even these rates for vendors, if the vendors will forward to the state the vendors' enrollment database.

Given the complications that needed to be resolved, at the time of our site visits only a few states' systems had any information about vendors' performance. Clearly, much work remains to be accomplished for the consumer report systems to fulfill their function of providing an important resource to guide customer choice.

VENDORS' REACTION

In the local areas we studied nearly all training vendors certified as eligible for ETP purposes are either community colleges or proprietary schools. These two types of institutions have very different missions and define themselves very differently. The former have traditionally filled an important role in providing training under JTPA, because of the breadth of their offerings and generally low tuition, and it is expected that they will be similarly important under WIA. However, many are balking at the eligibility requirements that WIA imposes, especially their need to submit performance information about their programs. In their view, the low volume of ITA-funded trainees that they anticipate does not warrant the time and expense that such a requirement would entail. They also fear that their performance would be inaccurately characterized, given the mix of customers that many of them serve. Finally, many of them view themselves as educational institutions, and not employment and training institutions, and thus believe that the CRS's emphasis on employment outcomes distorts what they see as their true purpose.

By contrast, the proprietary schools whose representatives we met characterized themselves as being active in the marketplace and highly performance driven. For their own purposes, or to meet other state or federal certification requirements, these schools had been accustomed to collecting and reporting performance data and saw no difficulty with doing so for ETP purposes. They were also highly adaptable and flexible,

modifying course content, starting times, and training durations to better appeal to potential trainees.

Community-based institutions constitute a third group of potential vendors. While we did not visit with any community-based organizations that provide ITA training, Local Board and One-Stop staff noted that many of these organizations provided training to economically disadvantaged adults under JTPA, but are not likely to be successful under an ITA system because of their traditionally narrow customer base. In addition, their frequent reliance on contract training puts them at risk of losing more customers than they might gain in a competitive marketplace. Further, they are usually thinly capitalized and are likely to have difficulty coping with an irregular flow of ITA students.

PRELIMINARY CONCLUSIONS

The above discussion makes clear that the full ITA and consumer report systems envisioned by WIA were still very much under development at the time our site visits were conducted. Our upcoming second round of site visits, to be conducted in the summer and fall of 2001, will thus offer the important opportunity to view these systems as they have matured. At this point, however, some preliminary conclusions can be drawn.

1. State and local-area flexibility seems to be embedded in the systems that are developing. One of the key tenets of WIA is to devolve decision-making authority to the states and local areas, from the federal level. The implications of this principle seem clearly to be evidence in the sites we visited. Thus, although there are obvious broad similarities in the systems that are developing, states and local areas are making unique decisions regarding key features of ITA policies. Thus, dollar caps vary widely and the procedures guiding customer choice take on a local flavor. Similarly, ETP systems and procedures are unique, including with respect to how key terms are defined, what performance benchmarks are required of vendors, and what consumer report systems look like from the customers' perspective.
2. That flexibility, although clearly embraced by states and local areas as a good thing, is causing some confusion and uncertainty at this early stage. Thus, some local areas are unsure exactly what their policies and systems should look like. In light of this uncertainty, more peer-to-peer exchanges would be highly valued, so that sites could share ideas and examples.
3. Overall, there is likely to be a substantial drop-off in the number of persons entering training, at least in WIA's first full year of implementation. This drop-off will come about for a variety of reasons, including a strong economy that has made job opportunities plentiful, competing priorities for using scarce WIA funds, and case managers' reluctance to authorize training unless it is

absolutely necessary. In the coming months, sites will need to reach an equilibrium that they think best balances the competing aspects of their mission, from providing job search services for the universal customer, on the one hand, to providing needed training services to those with poor skills, on the other.

4. Sites are maintaining a strong customer focus in the way they approach WIA's three service levels. Despite the reluctance in some cases to authorize training unless it is absolutely necessary, in general we observed that sites are highly flexible in their approach to customer services. Thus, although sites have guidelines for how customers should move through the service levels, it was apparent that those guidelines were not meant to be followed rigidly and that customers' obvious needs were taking precedence.
5. Informed customer choice is clearly apparent in the way that sites are working with customers to help them select training programs and vendors. WIA's emphasis that customer choice should be paramount has clearly been taken to heart. Thus, customers are generally given the opportunity to make training choices that seem right to them. At the same time, this choice is structured within a framework that requires that customers undertake a careful assessment of their skills and abilities and conduct extensive labor market and other research. To this degree, customers are making choices only after being exposed to a range of good information.
6. Front-line staff are generally playing roles that support informed choice. In most local areas that we visited, case managers were playing the role of "facilitators," and were lending the benefit of their expertise without being overly directive. To this degree, customer empowerment was being promoted. Given that many sites had moved away from contract training in JTPA's waning years, and, in some cases, had previous experience with vouchers, case managers often felt that operating under an ITA system was not that much different from what they were accustomed to.
7. The underdeveloped state of most consumer report systems has meant that firm data on vendor performance has not been one of the sources that most customers have been using in making their training decisions. Moreover, given the difficulties that lie ahead, with respect to data collection and data management, it will likely be some time before consumer report systems are reasonably populated with information about vendors' performance.
8. Incentives for community colleges to participate in the ETP system need to be established. Proprietary schools as a whole have been very agreeable to the requirements that the eligibility process entails. Community colleges, by contrast, view these requirements as not worth the effort, given the few ITA customers that they anticipate serving, and their focus as educational institutions. Given the important role that these institutions play in giving ITA holders meaningful choice, sites need to develop strategies to keep community colleges as active players in the training marketplace.

9. The ITA/ETP process is presenting substantial challenges to training vendors that relied heavily on workforce development funding under JTPA. Reliant for so long on contract training for serving special populations, these organizations are finding that their customer flow has been gravely interrupted since the enactment of WIA. This challenge has fallen especially heavily on community-based institutions. Without an alternative customer base, many of these institutions are facing insolvency. Their absence will represent a substantial loss to their communities.
10. Processing vendors' applications and developing the consumer report system are extraordinarily difficult and resource-intensive undertakings. In light of this, several grantees noted how fortunate they consider themselves to be in having been selected to participate in this demonstration, as it has provided them with access to special funds for system development that otherwise would have needed to come from their regular WIA formula allocation. This observation speaks to the difficulty that non-grantee states may be encountering with system development, and also for the need for states and local areas to develop systems that, once developed, can be sustained at minimal cost.



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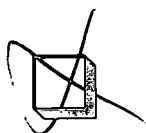


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